Value Capture on Urban Road and Rail Projects: Are There Too Many Free Rides?

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DISCLAIMER

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Executive Summary

State and federal politicians make sure the general public is well aware of the massive spending on giant transport projects that is happening in Australia’s big eastern capital cities. But rarely is there any public discussion on how it’s being paid for, which is overwhelmingly by the general taxpayers; tolls on motorists; asset privatisation; and debt.

Yet there is another possibility for helping to pay for transport infrastructure which would take a load off the current heavy burden on the public – “value capture”.

“Value Capture” is a term that most of the general public has never heard of but which has been bandied about amongst experts, developers, bureaucrats and some politicians for many years.

Definitions of value capture vary but they all have the common element of “beneficiary pays”, along similar lines to “user pays”. It’s a concept which is hard to argue against in helping to fund new roads and rail lines.

Yet examples of new value capture are hard to find in Australia, apart from some relatively modest fixed charges on land owners or developers in some parts of the capital cities. There are very few examples of more significant value capture taxes which would rise along with the sometimes massive windfall gains in land value in the big cities that come with multibillion-dollar roads and rail lines.

Of course it suits people with vested interests in land to be subsidised by everybody else. Yet there is a remarkable degree of consensus – including from developers – on the need for expanded land taxes to take their proper place alongside taxes on goods and services, incomes and profits. Selling this consensus politically will be difficult.

Such expanded land taxes spread across the big cities could take a load off the general taxpayers in funding the transport infrastructure from which city property owners ultimately benefit, either directly or indirectly. So too could levies on landowners who benefit from transport-specific zoning and density decisions, especially related to urban rail. This is a tool which is advocated by several prestigious bodies involved in planning and development (but not others).

The equivalent portion of government money which would have been spent on urban transport could stay in the pot of consolidated revenue, to be spent on any number of other essential services or infrastructure – including raising the deplorably dangerous standards of many country roads. Or it could reduce pressure on government debt and/or privatisation.

With these points in mind, this paper has five main recommendations:

Recommendation 1: Building on the apparent success so far of the transitional system in the ACT, a broad-based land tax needs to be introduced across Australia, initially replacing stamp duties on
property. The wide array of organisations from across the political spectrum supporting a new, broader land tax system need to combine their political lobbying efforts.

**Recommendation 2:** More urgently – and with hundreds of billions of dollars in transport infrastructure already in the pipeline or planned – governments need to introduce “major beneficiary” contributions. There should probably also be levies on the windfall gains in land value which come from planning decisions related to particular transport projects, which are enjoyed simply at the stroke of a pen. Continued delay in capturing value reduces the potential revenue, as land speculation continues apace.

**Recommendation 3:** The Federal Government needs to uniformly enforce its stated policy of insisting the states ensure beneficiary contributions before handing over Commonwealth funds for transport infrastructure.

**Recommendation 4:** The planning profession needs to urgently address the conundrum of preserving prime agricultural land on the urban fringes at the same time as capturing some of the increased land values for transport infrastructure spending in the same fringe areas.

**Recommendation 5:** Representing the people with the strongest vested interest in value capture, politicians in regional areas at all three levels of government need to band together to demand greater equity in transport infrastructure spending. They should also demand that big-city beneficiaries contribute their fair share for taxpayer-funded projects that increase the value of their land.
1 – Introduction and Overview

This research started out with two main questions:

1: Is new value capture for transport infrastructure – apparently supported by most of the planning industry and both major sides of politics – actually happening to any significant extent in Australia?

2: Is the allocation of public funds being skewed towards massive new road and rail projects in the capital cities, with regional road and rail construction and maintenance projects being neglected in comparison?

1.1 Winston Churchill’s Dilemma

“Roads are made, streets are made, railway services are improved, electric lights turn night into day, electric trams glide swiftly to and fro, water is brought from reservoirs a hundred miles off in the mountains – and all the while the landlord sits still.”

That pithy quote from a speech by Winston Churchill in 1909 sums up a dilemma that largely exists in Australia to this day.

Today the roads, railways and trams that Churchill referred to are being built on a scale unimaginable to Australians a century ago. The Federal Government alone is spending $100 billion on transport infrastructure over the next 10 years (Federal Department of Infrastructure website 2019).

The owners of land in Australia have traditionally done little, if anything, to earn the often massive windfall gains in land value that come from these sorts of state and federal taxpayer provided infrastructure services to their areas.

Some who sell their suburban blocks, industrial land or farms for development are even able to do so tax-free, because if they bought or inherited the property before September 1985, it is not subject to capital gains tax (Australian Taxation Office website).

If the owner keeps the land to develop it, it is still possible to contribute very little – if anything – towards subsequent increased land value created by state and federal government-funded road and rail infrastructure and planning decisions. This is not meant to denigrate property developers, who as one planning expert puts it, “get out of bed and work for a living”.

And it’s not to say land owners don’t make sacrifices. They may go into debt and work hard to pay off land they have speculated will earn them a bonanza when it is hopefully rezoned one day.

However this paper will argue that most land owners – especially in the big cities – need to pay their way much more than is happening at present. There should be a nexus between their benefit from transport infrastructure and a fair contribution towards it. A greater contribution from benefiting landowners will also help level the playing field between the economies of the big cities and those of rural and regional areas.

The focus of this paper is on the multi-billion dollar rail projects which are springing up in – and planned for – Sydney, Melbourne and Brisbane.
A big assumption throughout this paper is that the huge road and rail projects in these big eastern capitals are actually needed. There is no space for examination, for example, of the widespread call for congestion charging on urban roads near the city centres, to make better use of existing infrastructure; or of the widespread call for more medium density development such as townhouses in the “missing middle” rings of the capital cities, to help reduce urban sprawl.

1.2 Chapter Layout

Chapter 2 looks at some of the vast amount of literature which has been written about value capture in recent years.

Chapter 3 examines the politics of implementing new value capture in Australia, which can be summed up as big on talk in 2016, but small on action since.

Chapter 4 highlights case studies of new rail lines in built-up areas of Sydney and Melbourne which don’t appear to involve much significant new value capture despite all the rhetoric on the topic.

Chapter 5 focuses on the new Western Sydney International Airport, which is going to hugely benefit large owners of greenfield land but with new value capture still only being talked about.

Chapter 6 contrasts the massive federal and state expenditures on big-ticket transport infrastructure in the eastern capitals with Infrastructure Australia’s concern at the comparative neglect of basic maintenance and safety improvements for regional roads. A few case studies and photographs will highlight the problem.

Chapter 7 gives the key conclusions of this paper and makes several recommendations for governments and the planning profession.

1.3 Defining Value Capture

Value capture has no formal economic definition (Abelson 2017) but it mostly seems to involve some version of “beneficiary pays” in return for favourable government planning decisions and/or government provision of transport infrastructure. “Beneficiary pays” is an extension of the now widely-known term “user pays”, which every motorist driving on a toll road is familiar with.

There are a vast number of different types of value capture – often also called “value sharing” – depending on your definition.

Most academic use of the term “value capture” seems to involve taxpayers getting back a percentage of the windfall uplift in land values enjoyed by landowners when governments make decisions earmarking their land for a more valuable use, or when governments build beneficial transport infrastructure such as a train station nearby.

A commonly quoted example of this form of value capture involving uplifts in land value is the “betterment levy”. This might be paid when land is rezoned to a higher value use – for example from rural to residential or from industrial to commercial – or when higher density is allowed, for example from detached house to medium or high density apartments. The Australian Capital Territory –
which owns all the land in Canberra – has one of the few betterment levies in Australia, in the form of a “Lease Variation Charge” of 75 per cent of the deemed increase in land value after rezoning.

The more common vanilla-variety value capture usually seems to involve flat-rate state charges on developers as contributions towards the cost of beneficial regional infrastructure such as roads and rail lines, which might not be built until sometime in the future. For example since the late 2000s in NSW, relatively modest Special Infrastructure Contributions (SICs) have been paid by developers to the state government in some designated growth areas. Victorian developers in designated fringe growth areas of Melbourne pay a similarly modest one-off “Growth Area Infrastructure Contribution” (State Revenue Office of Victoria 2019).

There are also state-level voluntary planning agreements in return for development rights, not necessarily related to transport. And in some cases overseas there are “major beneficiary” contributions from big commercial developments such as office and retail complexes and airports.

There are annual flat-rate specific transport levies such as the $100 per annum or so imposed on Gold Coast urban residents to help pay for transport such as the Light Rail.

![Gold Coast Light Rail](image)

An increasing form of urban value capture is selling development rights to the “air space” over new urban railway stations, as with the Hong Kong Mass Transit Railway and now a couple of stations on the Sydney Metro, under construction. Auctioning government land near urban rail lines is another relatively easy one. And a form being increasingly talked about is allowing private consortia to develop rural land along the route of high speed rail lines into new cities, to pay for the lines.

Of course there are longstanding forms of value capture such as Capital Gains Tax (CGT), payable to the federal government on the sale of land bought after the CGT was introduced in 1985 (but not for owner-occupiers). The long-established stamp duty on property sales and GST are often also said to be forms of value capture. This paper, however, is focusing on the sort of “new” value capture which the experts and industry refer to.
1.4 Crucial Importance of Land Tax

Debate about land tax is a central feature of this paper, because if you define it as a form of value capture, it’s widely regarded as the ultimate type. The current limited version of land tax is one of the few forms of value capture actually being used in Australia to catch uplifts in land value created by new roads and rail lines.

Business owners of large amounts of commercial or residential land can rightly argue they do pay significant amounts of state land tax when their land increases in value, for whatever reason.

However if the dominant use of land is deemed to be for farming – even if the land is officially zoned for a higher development – no land tax is payable (see next section). A far bigger exemption is for the land underneath owner-occupied housing.

As we will see later, there is a remarkable consensus in the planning, property, business and welfare sectors in Australia that a broader system of annual land tax – with few if any exemptions – needs to be introduced. It would be like the current system of council rates. However politicians are yet to be convinced.

1.4.1 How Land Tax Currently Works

Land taxes are levied by state governments on most types of land except owner-occupied housing and farmland – as we have just seen – and for retirement villages, boarding houses and caravan parks.

They work similarly to council rates, and in fact both are calculated by the valuer–general’s department in each state.

Land tax works slightly differently from state to state but using NSW as an example, it is payable annually above a certain threshold on the combined value of all your subject land, whether it be underneath residential investment properties, warehouses, shops etc (NSW Government Revenue website).

The tax applies only to the “unimproved” value of land, that is not taking into account the value of buildings or structures.

At lower levels the tax payable is $100 plus 1.6% of the land value above the “general threshold”, which is currently just below $700,000. Above the “premium threshold” – currently just over $4 million – the rate payable is 2 per cent of land value.

NSW Government Revenue gives two examples on its website. On land worth $740,000 the tax payable would be almost $900 a year; on land worth nearly $5 million the tax would be nearly $70,000 a year.

These state land taxes raise much less revenue than state stamp duties and council rates (see later). But all three types of property tax still account for less than 10 per cent of all government revenues, compared with income tax at nearly 60 per cent of Commonwealth revenues (McLaren 2014).

1.5 Conclusion
Value capture under one definition or another has become a concept that everybody seems to agree with in academia; the planning and development professions and industry; government departments; and on political party platforms. But examples of new forms of value capture actually happening in Australia are light on the ground.

Perhaps one of the reasons is that everybody also seems to have a different view on the detail of what type of value capture should be implemented, with myriad possibilities. It’s a complex and difficult area of public policy, with very few attempts at making it accessible to lay readers. Very few people amongst the general public – or in the media – have ever heard of the concept. No wonder it doesn’t seem to be taken seriously by politicians.
2 – Value Capture: A review of the Literature

2.1 Introduction

In this literature review I will try to summarise some of the key positions which have been put in recent years from the vast amounts written on value capture. Some of it relates directly to transport and some doesn’t.

A gaping hole in the literature is published concrete examples of the sometimes massive potential revenue being foregone, with just a few exceptions. Another huge gap is published concrete examples of how value capture would apply to real-life planned transport infrastructure projects. So too are there very few examples of how value capture in the form of a broad-based land tax might apply to ordinary home-owners, in terms of sliding scales.

One of the key differences seems to revolve around taxing a percentage of the uplift in land value in specific areas when roads and rail lines are built or when favourable planning decisions are made. Some experts and lobby groups support this; some oppose it as unfair; and some say it is fair in theory but impractical.

However as raised in the previous chapter, a rough consensus – except amongst politicians – seems to be that the best form of value capture involves some sort of broad-based land value tax. The problem is what measures could or should be put in place in the absence of a broad land tax, which may never happen?

The following summaries are roughly in chronological order.


In 2010 the Federal Treasury under then secretary Ken Henry released its exhaustive review of the Australian taxation system. This document is widely regarded as the “Bible” in most of the literature on value capture, and is frequently referred to.

One of the key recommendations is to bring in a broad-based tax on the unimproved value of land with few, if any, exemptions – including family homes and farmland, which are currently not subject to state land tax. Economic growth would be higher if governments raised more revenue from land and less revenue from other tax bases, concludes the Review.

Chapter C2 is devoted to a broad land tax and says it would not distort investment decisions; would lower the price of land; could not be evaded; and would encourage the best and most valuable use of the land by being payable regardless of the actual use of the land.

The chapter has an interesting explanation of the concept of “economic rent”, or what the layperson might call “windfall gain”: 
Economic rent is the return to the owner above that needed to keep the land in its current use,” the Review says. “Economic rent therefore flows from the efforts of others, or simple luck.” (Henry Review 2010 Box C2-1)

An example given is having new roads built nearby. The Review also says that economic rent is likely to increase with future population and economic growth, that is there is an ever-increasing demand for land, but only a fixed supply.

Owners of land would bear the tax even if they sell the land in response to the tax, because the buyer knows they will have to pay the tax, which reduces the price they offer. The Review recognises that this would disadvantage landowners when a broad land tax is first introduced, and has a detailed section on how a “clearly challenging” transition can be made in a fair way.

It also says governments can allow the deferral of payments until the land is sold, to cater for people who are asset-rich but cash-poor.

The Review acknowledges that much of the criticism of land tax centres around perceived arbitrary and inconsistent valuations. It says there needs to be “nationally consistent” land valuation methods, and perhaps a single administration for local government rates and land tax. Unlike stamp duty – described as a “poor tax” which is volatile depending on how the property market is faring, and unfair for people who need to move – a broader land tax would not be triggered by transactions.

Giving an idea of the relative scale of current property taxes, the Review said that in 2007/8 state government land taxes added up to only about $4 billion, compared with local government rates of $10 billion, and state government stamp duty worth $14 billion.

The review had several complaints about the current state land tax system.

One was that because state governments levy land tax on a progressive rate scale based on total holdings, there is a disincentive for big institutional investors to get into rental housing – to the detriment of renters. Henry said land tax should be levied on individual lots only.

Another lament was that land tax only applies to a limited range of commercial land and investor-owned residential land. Owner occupied housing is a big exemption which removes around 60 per cent of land by value from the tax base.

Agricultural land makes up another 10 per cent of land value. But Henry says under its recommendations:

Uniform application of the marginal rate scale on a per-square-metre basis with a low minimum threshold is likely to result in no tax paid by most land likely to be used for primary production (Henry Review 2010 section C2-4).

However it seems farmers on the fringes of Sydney and Melbourne in particular could be in for a big tax bill if their agricultural exemption is removed.

“Primary production land on the fringes of urban areas (such as market gardens) may find its value increasing as demand for residential or industrial development increases. The value of primary production land in this situation could increase to the point where it becomes
taxable even before it is zoned for more intensive development. This outcome reflects the increase in economic rent to the owner (Henry Review 2010 section C2-4)

And that raises one of the big unanswered questions in the debate about land tax reform – what about the need to preserve prime farming land for food production closest to the big urban populations, rather than covering it in concrete? On this major dilemma of incentives to develop agricultural land the Henry Review and most other commentators appear to be silent. We will deal with this briefly in Chapter 5.

2.2.2 McLaren, J. (2014). *A uniform land tax in Australia: what is the potential for this to be a reality post the "Henry Tax Review"?*

McLaren says that it was based on recommendations of the Henry Tax Review that the Australian Capital Territory began phasing out stamp duty on conveyances in favour of increasing land tax in the form of general rates on all property. The ACT Government allows for the payment of the general rates to be deferred and paid when the property is finally sold, with interest. McLaren says this provides some relief for retired property owners unable to pay the increase in the general rates especially if the value of their land increases substantially.

McLaren pointed out that at the time of writing, land taxes collected by state and local governments only amounted to just a bit over 9 per cent of all taxation revenue in Australia, compared with over 57 per cent for income taxes. He concluded that reformed land tax may not only raise a lot of revenue but also result in reduced income tax rates for individuals and companies.


The SGS report points to the massive rises in land values over the past 25 years, after taking inflation into account. For example the graph below (“Figure 4”) shows that in 2012 alone, land in Australia increased in value by over $100 billion.
SGS says these rises in land value have averaged about five times the total annual revenue from all state property taxes – stamp duties and land tax. And after taking into account specific infrastructure charges as well as investment in properties by the owners, the remaining “uneearned” gains in land value are still over double the current tax take. That’s more than $50 billion in 2012.

So SGS says all state stamp duties on property and land taxes could be replaced by a tax on unearned land value gain of about 50 per cent.

The benefits of this broad-based land tax approach are said to include avoiding the need to identify the extent to which any particular property benefits from any particular state transport or other infrastructure investment; and it could reduce land speculation and the prospect of property bubbles.

FIGURE 4. ANNUAL LAND VALUE UPLIFT VS LAND BASED TAXES AND CHARGES

SGS recognises that bringing in a broad-based land tax would be politically difficult (more on this later). So it suggests a more politically acceptable transitional reform might involve a ‘metropolitan transport land tax’ for properties above a certain value, hypothecated for spending on transport improvements (SGS Economics p.35).

It will be tempting for state governments to ‘stop short’ of land tax reform by persisting with state level infrastructure charges or perhaps by establishing benefitted area levies in catchments which are seen to benefit from transport infrastructure investments ... Broad based land taxes can be set conservatively but are likely to generate significant funds for infrastructure over time, and the largest beneficiaries pay the most (SGS Economics and Planning 2016 p. 35).

The SGS report for Infrastructure Australia comes up with six preferred value capture mechanisms for major infrastructure such as rail lines. They are worth quoting in full because following reports in this research paper disagree with some of them.
A. Reformed state land taxes. These are recurrent taxes that would need to be broader based including applying to the family home to generate more significant state revenue. They are not necessarily suited to funding particular infrastructure as they capture general land value uplift as well as that specifically related to infrastructure provision.

B. Special rates. These would contribute funding to discrete infrastructure projects by applying to all properties within nominated benefiting catchment areas, and based on the likely value related uplift associated with the infrastructure. In most jurisdictions legislation would be required to allow state governments to implement such a scheme.

C. State level infrastructure charges. These currently apply to subdivisions for urban development in greenfield contexts in NSW and Victoria but would need to be extended to infill areas, and desirably have a closer link to value uplift.

D. Betterment levies. These would be transaction fees for additional development rights equivalent to the uplift in value associated with the type of new floorspace being proposed.

E. Reformed stamp duty. These would be transaction fees at the point of sale of properties, still paid by the purchaser, but only based on a share of the net uplift in value since the previous sale.

F. Targeted use of government land. The aim here is to capture long term uplift through the development and project cycle. It would require a more interventionist role for government in purchasing, planning and potentially holding strategically located land benefitting from transport investment. (SGS p. 30)

Fringe development served by rail at Springfield, south of Ipswich in Brisbane
2.2.4 Stapledon, N and Fox, K 2016. *Value Capture is not a Magic Pudding – Options For Funding Infrastructure*, Urban Taskforce Australia.

This report written for developer lobby group Urban Taskforce implies that developers are the “meat in the sandwich” when it comes to value capture taxes and charges, which it says are being applied in an uncoordinated fashion by different levels of government:

The value uplift from new transport infrastructure is regarded as a windfall profit to the landowner that should be shared with the government(s). However, value capture charges are typically imposed on the developer, who is an intermediary between the landowner and the new buyers of the land when the land is redeveloped to higher value use. There are costs to the developer in doing this. If those costs are not taken into account then projects can be uneconomic for developers, and hence redevelopment will not take place, affecting housing affordability (Stapledon and Fox 2016 p. 9).

Nevertheless in the foreword to the report, Urban Taskforce CEO Chris Johnson concedes:

A specific levy (ie State Infrastructure Contributions) or rate surcharge in the vicinity of new transport infrastructure while not being the most efficient way to capture value is a feasible option (Stapledon and Fox 2016 p. 7).

The report calls for replacing stamp duty with a broad-based land tax along the lines of the Henry Tax Review, with the potential for a portion of land taxes to go towards new transport infrastructure.

It says that in NSW an undesirable combination of the exemption of owner-occupied housing and a high base threshold means only 11 per cent of residential property and 33 per cent of business property is subject to land tax, generating only about $2.6bn in revenue at the time of writing.

The high threshold also has a perverse effect which means higher development could actually lead to lower land tax revenues:

When redevelopment of low density housing to high density housing occurs, the lower land value per dwelling means that investors can hold multiple dwellings and be exempt. Potentially, redevelopment could mean lower land tax revenues. (Stapledon and Fox 2016 p. 27)

2.2.5 Stein, Leslie 2017. *Value Capture in Australia – Ideologies, Methods and Analysis*, Henry Halloran Trust, University of Sydney.

Stein supports development contributions as long as there is a close connection with the cost of the infrastructure being provided, and the developer is given time to pay out of profits. He also advocates a state broad-based annual land tax based on infrastructure costs. However he is opposed to voluntary planning agreements and betterment levies.

Stein has a useful listing of the multiple occasions when land value rises due to planning decisions, which is worth outlining in full:
For Greenfield sites: 1. At the time of earmarking the land in a plan or policy for future
growth; 2. At the time there is a detailed plan for an area such as a precinct plan; 3. At the
time land is rezoned from rural to a residential or other use; 4. At the time there is
subdivision approval; 5. At the time there is development consent.

Agriculture and roadworks in Sydney’s far south-west

For Brownfield sites: 1. At the time land is rezoned for a higher use such as residential; 2. At
the time there is subdivision approval; 3. At the time there is development consent;

For Urban Areas: 1. At the time land is zoned for a higher use such as high rise; 2. At the time
the Floor Space Ratio permits higher buildings; 3. At the time of development consent. (Stein
p. 4)

Stein opposes betterment taxes on these various stages of uplift in land value, for practical reasons
he paraphrases from the Treasury tax review outlined previously:

The Henry Tax Review (2010, p. 424) rejected a betterment levy for several reasons: the
benefit to the developer is difficult to determine; value may increase before rezoning in
anticipation making the true valuation difficult; negotiations on the amount of the levy will
slow down development; it increases uncertainty as to the development process;
governments may be encouraged to upzone land to recover a levy; and developers may slow
down the productive use of land. Of all these reasons, the difficulty of tracking value is the
most compelling (Stein p.23).


Terrill defines value capture as a tax on the increase in land values that results when a new or
upgraded piece of infrastructure improves an area’s accessibility.

She says this uplift tax for specific benefiting areas is “marvelously fair” in theory, but hard to put
into practice.

Property prices go up – and down – for many reasons. Drawing a boundary around a new
piece of infrastructure to distinguish those who must pay the new tax from those too far
away to benefit is bound to involve rough justice. It’s not easy for governments to convince
people that the new tax bill they receive still leaves them better off – homeowners receive the benefit of the new project on paper but have to pay the tax bill in cash. And value capture is very hard to apply to projects such as roads and hospitals where the benefits are more diffuse. The apparent fairness of value capture evaporates if the beneficiaries of rail projects pay extra while the beneficiaries of other government projects do not. These challenges may explain why value capture has been used so rarely in Australia (Terrill 2017 p. 3).

Like so many other experts in this field, Terrill advocates a broad-based, low rate land tax. But she says if governments do insist on specific value capture, urban passenger rail is best suited, and a single flat rate of tax should be imposed on the increase in unimproved land value of affected properties.

Even though every project is different, the arrangements for capturing value should not be. Governments should not design value capture schemes with different tax rates, different approaches to defining who is in the catchment, or different timing arrangements. Bespoke (tailor-made) schemes are expensive to administer, unfair, and introduce the risk of rent-seeking and corruption. (Terrill p. 28)

2.2.7 Prosper Australia 2017, Submission to Department of Infrastructure Discussion Paper on Value Capture

Prosper Australia is a non-government think tank and tax reform lobby group which favours land tax over taxes on wages and capital. It says a broad-based land value tax is the best means of value capture, for example by overcoming the difficulties of setting geographical boundaries. After all, large infrastructure projects can benefit landowners at the local, metropolitan and national levels:

Arbitrary value capture boundaries open the door to rent-seeking and land market distortion. Like Melbourne’s Urban Growth Boundary, an administrative boundary makes a clear distinction between winners and losers. Political gerrymandering of infrastructure project boundaries is a perpetual hazard … Prosper recommends using market prices to discern the beneficiaries and the scale of their gains (Prosper Australia submission 2017, point 6).

On a similar note, Prosper Australia argues that the willingness of beneficiaries to pay for transport infrastructure is accurately indicated in the market price of land, which should be taxed in a uniform fashion. It says the alternative mechanism of value capture – defined as charges on tangible projects – involves guesswork, and vested interests can argue their way out of it:

Undercharging creates a burden on consolidated revenue; overcharging will cause real private harm. As land value capture applies to large-scale multi-year projects, the potential for error in forward estimates is very high.

Further, the willingness to pay can be undermined by investor land holders. These stakeholders are often the most vocal, persistent and creative opponents of taxes they can’t avoid or pass on (Prosper Australia submission 2017, point 7).

Prosper Australia adds that another advantage of land value taxation is that if infrastructure investment does not raise the market price of their land, no extra tax is payable by landholders (point 21).
2.2.8 Productivity Commission, ““Shifting the Dial: 5 Year Productivity Review”, October 2017

In October 2017 the Productivity Commission released a report which came down firmly on the side of a broad-based land tax. The key findings echoed those of the Henry Tax Review.

The Commission report suggests that stamp duties on residential and commercial property sales be phased out over several years in favour of a broad-based tax based on unimproved land value. Low income households should be able to defer the tax so that it is funded from their estate when they die, or when they sell the asset, with low interest rates involved.

In June 2019 new Chair of the Productivity Commission, Michael Brennan, repeated this call to replace stamp duty with broad-based land tax. Brennan was also reported as suggesting fuel tax should be abolished and replaced with technology-based road congestion charging (Irvine 2019).

2.3 ADVOCACY OF BROAD-BASED LAND TAX FOR REGIONAL DEVELOPMENT

The argument is made that lack of value capture in cities exacerbates the inequality between city and country caused by differing population growth, global economic trends and the “agglomeration” benefits of people clustering in cities.


Fensham and Gleeson argued that state government investment in large social infrastructure projects had tended to favour inner city areas:

This investment has enhanced the intrinsic propensity of these areas to prosper in the global economy. There are strong equity grounds to tax these geographically concentrated gains and transfer at least some of this wealth to other, less affluent geographical communities (Fensham and Gleeson 2003 p.104).


A similar argument for value capture in the form of a broad-based land value tax was made by Stillwell and Jordan (2007). They said while demand for sites for residential or commercial activities is continually growing, the supply remains fixed, so the result is a long-run tendency for inflation in land values.

Without adequate taxation on land to recoup this social dividend, the rising land values resulting from the community’s productive efforts add to existing landowners’ wealth, while those unable to afford land are further excluded from the market. These processes are a major contributor to economic inequality (p.207).

Stilwell and Jordan advocate a nationally uniform land tax scheme.
In general land tax can be expected to generate more revenue from those regions where land price inflation is most pronounced. So the metropolitan areas would tend to be more highly taxed than non-metropolitan areas, particularly rural areas, which would favour regional decentralisation of population and industry. That tendency would be further accentuated if additional revenue from a more comprehensive system of land taxation were used for regional redistribution, such as financing better infrastructure and services in non-metropolitan areas (p.209).

However in an online news article recently, Stilwell expressed deep pessimism about a broader land tax system ever coming to pass:

Any new tax is unpopular, and a tax that can be derided as an impost on the family home is not politically an easy road to go down.

Stamp duties are the single most lucrative form of revenue for state governments and they have a political acceptability because everyone is used to them. A land tax would be equitable, but it would be political dynamite.

We’ve got the possibility of a very good tax base in the land tax, but we can never use it. It’s tragic (Kelly 2019).


The Henry Review urged consideration of progressive marginal rates of tax on individual parcels of land, per square metre (Recommendation 52).

That would presumably help a redistribution from the wealthier, faster-growing parts of the big cities to the less well-off regions with slower population growth:

As land values tend to be correlated with growth in the economy and population, land tax is well-suited to future demographic pressures (Henry Review 2010 C2-4).

2.3.4 Mangioni, V. “Land Value Taxation: Opportunity and Challenges For Funding Regional Australia and New Zealand”, Australasian Journal of Regional Studies, Vol. 24, No. 2, 2018 191

Mangioni makes similar arguments to the authors above. He points out that a common reform stemming from national tax reviews in Australia and New Zealand recommends improving tax effort from annual land value taxation.

The paper concludes that challenges confronting the determination of land value should not deter an impost on land and that land is a base among other forms of taxation that may be equalised to assist funding in regional Australia and New Zealand (Mangioni p.191).
2.4 DISSENTING VIEWS ON A BROAD-BASED LAND TAX

2.4.1 Murray, C. “Stamp duty fever: the bad economics behind swapping stamp duty for land tax”, *The Conversation*, November 14, 2018

Murray points to a “near universal enthusiasm” amongst economists for replacing stamp duty with a broad-based land value tax, but he says underneath this are “are layers of bad economics” (*The Conversation*, 2018).

> It is extremely frustrating to me that the leading minds in Australian policy have put their heads together and decided that the best reform they can think of is to replace a good tax on property with another good one that would be even less popular (Murray 2018).

Murray argues that the price effects on housing of a swap in taxes are ambiguous; that the modelling underpinning the talk of high economy-wide costs “is as good as made up”; that lower housing turnover from stamp duties mainly affects sales involving speculative investors, which is a good thing; and it’s also a good thing for the economy that stamp duties are pro-cyclical, meaning they automatically increase tax takings during a boom and wind them back during a bust.


On a similar note to Murray, Toohey says most experts want to replace stamp duty by applying land tax to homes that are currently exempt, with the same experts warning against letting the political difficulties get in the way. However he warns “it is much too glib to dismiss political opposition in a democracy”, particularly as the economic gains “are not obvious”:

> The land tax increases will hit average households relatively hard when subdued wages are already squeezing consumption spending. Deloitte Access Economics calculates the average Australian home owner would pay an extra $2360 a year for a land tax that replaced stamp duty revenue. KPMG calculates the figure will be much higher. Either way, the amount paid would be higher in the major cities and wealthier suburbs. Those who rarely buy or sell a house would lose heavily, but most people would set up and take notice of an extra $2000-$5000 annual tax compared to a one-off stamp duty payment.

> The gains from replacing stamp duty with a much increased land tax are easily overstated. Increased labour mobility is supposed to be a big gain. But the main obstacle to someone moving from a low cost region to a new job in Sydney or Melbourne is the huge difference in house prices, regardless of stamp duty (Toohey 2017).

There will be more on the politics of a broad-based land tax and estimates of how much it would cost in the next chapter.
2.5 Conclusion

There is a remarkable near-consensus in the literature reviewed here that a broad-based land tax is the best way to capture increases in land value created by transport infrastructure. After all, what better basis to calculate contributions than the actual market price people are prepared to pay for land? Most advocates say such a tax, similar to council rates, should at least replace the widely criticised state stamp duties on the sale of property.

The big catch, though, is the political difficulty of implementing a broad land tax. Another big dilemma is in taxing prime farming land in the cities which is potentially far more financially valuable for real estate development, therefore creating an incentive to take it out of agricultural production.

However while other measures such as charges and taxes targeting specific transport projects might be politically easier to implement, they have all sorts of equity dilemmas and practical difficulties. For example where do you draw the geographical boundary on who contributes and who doesn’t? Why tax homeowners near new rail projects but not old ones? And if for example you tax a planning decision to allow denser development on a block of land near a proposed railway station, how do you work out how much the uplift in land value is worth, and at what point in time should it be taxed?

We are assuming here that land within walking distance of new railway stations is the most obvious candidate for targeted value capture – which should be uniform and city-wide, to reduce the risk of political gerrymandering and pressure from vested interests. It’s presumably harder to work out who are the main land-owning beneficiaries near new roads, which could attract motorists from much further away.

While governments sometimes sell off station development rights on their rail lines, for better or worse – probably worse – it appears they have abandoned the practice of buying and developing land themselves.

Apart from revenue implications, it is argued that lack of value capture exacerbates regional inequality, for example because rapid population growth invariably favours lucky landowners in the big cities. Proponents argue a broad-based land tax could provide an incentive for greater development in regional areas where land values are much lower.
3 – The Politics of Value Capture

3.1 INTRODUCTION

The literature review covered just some of the massive number of words that have been written on value capture, both in Australia and overseas.

In contrast, the public political debate on value capture in Australia has been virtually non-existent. So too the actual implementation of new value capture involving uplift in land value.

Former Prime Minister Malcolm Turnbull created a brief flurry of public discussion in early 2016, which will be detailed shortly. This was followed by the inquiries on transport and cities chaired by Coalition MP John Alexander.

However the Federal Government’s response to the first Alexander review received no mainstream media coverage that this author was able to find.

Perhaps this reflects a combined lack of serious interest in value capture on the part of both politicians and the media. As we will see later in this chapter and in the two chapters of case studies, despite all the discussion about value capture in academia and the planning profession and bureaucracies, there is very little to show for it at the political level.

Critics of value capture, depending on how you define it, would say that’s just as well.

3.2 FEDERAL POLITICS AND VALUE CAPTURE

3.2.1 Former Prime Minister Malcolm Turnbull’s Push for Value Capture

It wasn’t until early 2016 that value capture literally hit the national headlines for the first time.

An example was a story on the front page of the *Sydney Morning Herald* on April 29 headlined “Turnbull’s blueprint for our cities”. The article said Turnbull would scrap what he called blank cheques for state and local government infrastructure projects and announce a ramp up of debt to fund major schemes, locking in historically low interest rates to part-fund projects such as Sydney’s Badgerys Creek airport and Melbourne’s Metro Rail.

The funding would be delivered on the condition recipients show it would return to the Commonwealth demonstrated fast economic growth and higher tax revenue, as well as ‘value capture’ charges on businesses that benefit from the developments (my emphasis) (Massola and Martin, Sydney Morning Herald, 2016).

Earlier in 2016 Minister for Major Projects Paul Fletcher had released what the Government called “Principles for Innovative Financing”, which on any reading declared value capture would have to happen if state governments want federal help with big transport projects (Department of Infrastructure and Regional Development, February 2016). The goals include:

Share the cost of transport projects fairly between those who benefit the most from the projects and the broader Australian community, with a focus on value sharing and moving towards cost reflective pricing (Dept Infrastructure page 1).

One of the principles says:
The funding shares from the Commonwealth and the state and territory governments should be determined after taking into account contributions made by the beneficiaries (Dept Infrastructure p. 2).

For a couple of years after these announcements by Fletcher and Turnbull there was a flurry of conferences and papers on value capture. For example in late 2016 the Government released a discussion paper, *Using Value Capture To Help Deliver Major Land Transport Infrastructure*. More than 60 submissions followed.

It was hard to find anybody opposed to the general concept, although plenty of people said the devil was in the detail.

### 3.2.2 First Federal Parliamentary Inquiry into Value Capture

The so-called Alexander inquiry into value capture came down strongly in favour of getting the states to force beneficiaries to do more heavy lifting when it was released late in 2016. For example Recommendation 10 stated:

> The Committee recommends that the Australian Government seek a memorandum of understanding to establish value capture mechanisms for individual transport infrastructure projects as a condition of federal funding which applies to property value uplift that results from a combination of rezoning and new transport infrastructure (*Harnessing Value, Delivering Infrastructure* page 194).

The Committee said that in doing so, the Federal Government should define specific geographic areas nearby to new transport infrastructure where value capture will apply to properties; set a threshold of property value uplift which will incur the new value capture mechanism; establish an offset mechanism, whereby commercial properties whose value uplift is partially captured can be offset against their capital gains tax liability; and hypothecate any revenue from value capture into a dedicated infrastructure fund (p.194).

The Federal Government’s response to this bipartisan parliamentary report was released in March 2018 (*Australian Government response to the House of Representatives Standing Committee on Infrastructure, Transport and Cities 2018*).

The response reiterated the “Principles for Innovative Financing” of infrastructure, which insist on value capture being considered by state governments. There was no mention in the Government’s response of a broad-based land tax, nor of hard and fast rules on value capture applying across the board (as advocated earlier in this paper by Terrill).

> The Government considers value creation and value capture opportunities should be considered case by case, based on the characteristics of the project, including location, existing infrastructure and the nature of potential beneficiaries. Any contribution from beneficiaries should be fair and transparent and should have a clear link with the benefits of the infrastructure being provided (p.18)

The Government did not support the Committee’s idea of hypothecating value capture revenue into a dedicated infrastructure fund.

It said value capture is not a panacea to addressing funding shortfalls for major projects, nor is it necessarily applicable to all projects (p. 3).
The Government response said it can be fairer to have those directly benefiting from new transport infrastructure contributing towards some of the cost, rather than having all taxpayers – many who receive no direct benefit – meeting the full cost (p.13).

On other hand it warned its state and local government counterparts against pushing beneficiaries too far in making contributions (p.14).

The Government pointed out that most value capture mechanisms are the responsibility of state, territory and local governments. As we will see later though, the following statement appears to be more rhetoric than reality:

The Government is now implementing its value capture policy through its engagement with state and territory governments in the development of major transport infrastructure projects (p.4).

3.2.3 Second Federal Parliamentary Inquiry Involving Value Capture

Coalition MP John Alexander chaired a second inquiry, partly examining value capture, the report of which was tabled in September 2018. There has not yet been a Government response.

Building up and Moving Out was an Inquiry Into the Australian Government’s Role in the Development of Cities, by the House of Representatives Standing Committee on Infrastructure, Transport and Cities. It said the recommendations in the previous report on value capture were more relevant than ever.

The Committee defined value capture as using the uplift in property value associated with the provision of infrastructure to help pay for that infrastructure (p 393). It said value capture should be part of the conception of any infrastructure project to equitably capitalise on taxpayers funds invested (p. xi).

Interestingly, in his foreword to the report, Committee Chair John Alexander had a barb for the Department of Infrastructure, Regional Development and Cities for an apparent lack of interest.

Previous reports by this Committee have received delayed and token responses from the Department; I strongly recommend this one is given the consideration that it richly deserves (p. xi).

There were plenty of interesting submissions to the Alexander inquiry. On the side of supporting new uplift-related value capture was the Committee for Sydney, whose powerful line-up of members includes News Corp Australia; the Cities of Sydney and Parramatta; the NSW Departments of Planning and Transport; John Holland, Lendlease and Stockland; Westpac and NAB; and Sydney Airport. The Alexander report pointed to a 2015 issues paper produced by the Committee:

It found ‘that value capture offers the “best option to solving the funding conundrum” facing public transport infrastructure’, but that ‘to get community buy-in, a clear nexus between the additional cost and the provided benefit is central to success’. The Committee for Sydney noted, however, that ‘there is a still a lack of coherent and clear policy direction on how it should be implemented and which model should be adopted’. This policy vacuum had resulted in lost opportunities (House of Representatives 2018 p.395)

On the other side of the fence was Infrastructure Partnerships Australia CEO Brendan Lyon, who warned of value capture becoming another impost on the cost of housing. The inquiry report also
quoted Lyon referring to value capture as ‘a hard way to raise not very much money’ (House of Representatives p.401)

Another concern raised in the inquiry was the different potential for value capture between urban and regional centres. RDA (Regional Development Australia) Tasmania expressed the fear that governments might therefore favour high-value urban infrastructure projects:

> It was concerned that ‘infrastructure projects with a high potential for value capture may be prioritised by the Australian Government at the expense of projects in more dispersed and regional locations that have less or no capacity for value capture’. RDA Tasmania feared that ‘this could further exacerbate the disadvantage and divide that already exists’ (House of Representatives p.403).

Perhaps this is acknowledgement that the economic returns on regional transport projects are inherently lower than for big-city projects, as calculated by traditional cost-benefit analysis. And it shows that project-specific value capture (as opposed to a broad-based land tax) could potentially be counter-productive for regional areas if it sways government decisions in favour of big-city projects.

### 3.2.4 Federal Opposition Says Little on Value Capture

The Australian Labor Party’s national platform says almost nothing about value capture: “Labor supports innovative approaches to financing projects, including ... value capture” (page 57). Land tax is not mentioned at all.

At the time of writing it was also hard to find detailed views on value capture expressed by Federal Opposition Leader – and former Infrastructure and Transport Minister – Anthony Albanese. His idea of value capture seems to be anti-tax but in favour of selling the air space above new rail stations.

The following is from a Shadow Ministerial Media Release headlined: “Coalition must rule out new property tax”.

> Malcolm Turnbull should explain to Australians whether his plan to utilize value capture to pay for new railway lines and roads is code for the introduction of a new tax on existing property owners ... with his so-called policy going no further than general statements, it is unclear exactly what Mr Turnbull means when he talks about value capture (Albanese April 30, 2016).

Albanese said that working with state governments and the private sector, Labor would augment public investment with “sensible value-capture arrangements”, such as selling the development rights to space over new railway stations.

Indeed, the former Labor Government committed funding in 2013 to important public transport projects the Melbourne Metro and Brisbane’s Cross River Rail Link, which involved elements of value capture. But the incoming Coalition Government scrapped these projects, as part of more than $4 billion in cuts to public transport funding (Albanese press release 2016).
3.3 STATE POLITICS AND VALUE CAPTURE

Despite the Turnbull Government’s apparent enthusiasm for value capture, and by its reckoning a number of states developing theoretical frameworks for it, it’s hard to find evidence of any new actual value capture on the ground in Australia. That’s if you are defining value capture as taking some of the uplift in land value from planning decisions and/or infrastructure investments.

As we will see in the next chapter, it appears the Federal Government has not stuck to its guns via its “Principles for Innovative Financing” in insisting on value capture before contributing to huge infrastructure projects in NSW and Victoria.

On the other hand it appears the Federal Government has been tough in its value capture demands for other huge projects in Victoria and Queensland. However these states have simply decided to “go it alone” in funding the urban rail projects, without value capture involving uplift in land value, or federal help.

3.3.1 NSW Vagueness on Value Capture

NSW doesn’t appear to have progressed far in developing “frameworks to guide their allocation of value capture”, as the Federal Government described the process.

For example in its document “Future Transport Strategy 2056”, Transport for NSW has scant detail on value capture (which it calls “value sharing”). It’s a concept which barely rates a mention under “Future directions to investigate” (page 140).

One of a few dot points seems to suggest capturing both a percentage of uplift in land value as well as flat-rate charges:

Identify balanced beneficiary models including value sharing and developer contributions aligned with improved land use planning (Transport for NSW p.140).

There is more vague detail on the next page, but nothing that could be regarded as a solid value capture “framework”. The blueprint seems to advocate value capture on a case by case basis:

Value sharing can take many forms, and the available options will vary depending on the particular circumstances of the infrastructure being provided. The NSW Government will continue to assess opportunities for value sharing as investment projects are developed (Transport for NSW p.141)

As we will see in the next chapter, there is little evidence of any value capture actually happening in NSW, at least in terms of catching a percentage of land value uplift.

However there are fixed-rate special infrastructure contributions (SIC’s) in place for the north-west and south-west growth zones in fringe areas of western Sydney; and for several areas on the Central Coast near Sydney. The NSW Government has also “been investigating” SICs for new developments in the so-called “Planned Precincts” in Sydney as well as for high-growth regional areas in the Hunter Valley and Illawarra, and at Wilton (NSW Department of Planning and Environment 2019b, website).

There are also numerous state-level voluntary planning agreements in NSW (NSW Department of Planning and Environment 2019c, website).
As for political discussion of value capture in NSW – at least as reported by the mainstream media – the record is virtually silent.

### 3.3.2 Value Capture Down the Track for Melbourne Rail?

In early 2017 the Victorian Government produced “Victoria’s Value Creation and Capture Framework”.

If the framework’s discussion of the $10 billion Metro Tunnel rail project is anything to go by, the Government has a limited view of value capture:

Opportunities that are being explored could include: integrated development over CBD North and South Stations; retail opportunities either within the stations or above ground station structures; revenue derived from station advertising; and revenue associated with new telecommunications infrastructure (Victorian Government 2017 p.15)

The Business Case for the Metro released in 2016 said it did not consider new levies or new contributions as potential value capture mechanisms (Melbourne Metro page 21).

Melbourne’s existing City Loop, completed in 1981, was funded in a small way from a levy on benefiting CBD businesses, which was prematurely discontinued.

Meanwhile about a quarter of London’s roughly A$30 billion, 30-station Crossrail underground project is to be funded via a levy on businesses (Ernst and Young p.63)

Nothing about value capture has been pledged at the time of writing as far as the author is aware for the $5 billion Melbourne Airport to CBD rail link.

Meanwhile government advisory body Infrastructure Victoria hired consultant Ernst and Young to produce a detailed report on value capture which became an interesting political football ahead of the Victorian election in late 2018.
The debate revolved around Labor’s promised $50 billion suburban rail loop around Melbourne, billed as "the biggest transport project in Australia’s history", according to *The Australian Financial Review*.

With 12 new underground rail stations punctuating 90 kilometres of track, the proposed loop would cut congestion while creating a property development bonanza in the neighbourhoods it passes through, its proponents say (Lenaghan 2018).

Victorian Treasurer Tim Pallas told the newspaper that business would bear the brunt of the cost, sparing the state’s residents and households. However the paper said that according to Shadow Treasurer Michael O’Brien, that’s a pipe dream.

The dispute hinges on a voguish mechanism known as "value capture", once espoused by former prime minister Malcolm Turnbull as the answer to how to fund much-needed urban infrastructure (Lenaghan 2018).

The *Financial Review* said the Victorian Liberals point to the policy paper issued by Infrastructure Victoria in 2016 which investigates eight ways value capture could be harnessed for the Melbourne Metro 2 project and, with the help of Ernst and Young, identifies four preferred mechanisms.

In their charge against Labor, the Liberals bring together elements from the four mechanisms. These include a developer contribution of $3,000 for every new apartment built within 1000 metres of the loop, and – from a separate value capture method – a betterment levy (annually) applied to all residential and commercial property within 1000 metres of the rail corridor (Lenaghan 2018).

So it seems from this newspaper report that the Victorian Coalition doesn’t share the Federal Coalition’s declared support for value capture.

### 3.3.3 Controversy over Value Capture in Queensland

In 2016, then Queensland Labor Government Infrastructure Minister, Jackie Trad, provided this author with what seemed like an upbeat statement on value capture for a specialist transport publication:

> Value capture is a relatively new concept and has not been used extensively to fund infrastructure in Queensland. Projects that have already been built like the Darra to Springfield Rail corridor and the Busway network did not rely on value capture mechanisms. Value capture is a tool that governments everywhere are investigating. The Australian Government now requires value capture to be considered in the assessment of publicly funded transport projects. Value capture, if used appropriately, could help Queensland deliver more essential infrastructure sooner, improving the lives of Queenslanders and driving economic growth (Skinner 2016).

But just a year later the Queensland Government declared it would not be using value capture to help fund its $5 billion-plus Cross River Rail project, which is rated as a “High Priority Initiative” by Infrastructure Australia.
Businesses and residents near Cross River Rail train stations will not be charged new taxes to pay for the $5.4 billion project, with value capture again ruled off the table ... In June, Premier Annastacia Palaszczuk said Prime Minister Malcolm Turnbull was the one who wanted to explore value capture and charge landowners for the increase in property values expected from the project (Caldwell 2017).

The author has been unable to find official media releases on the Cross River Rail issue, but some background to Queensland’s apparent change of heart on value capture was offered by an article in the Brisbane Courier Mail earlier in 2017:

Political infighting that resulted in Malcolm Turnbull and Annastacia Palaszczuk meeting to thrash out issues yesterday, intensified last night as Infrastructure Minister Jackie Trad accused the Prime Minister of unfair double standards.

Revealing Mr Turnbull’s problem with the state’s plans was that businesses and homeowners won’t pay enough towards the $5.2 billion project, Ms Trad said it was ‘inexcusable’ that NSW and WA projects were funded in last week’s federal Budget without the same requirements.

It’s understood the Commonwealth wants details of how much the state can raise in new taxes from homes and businesses in the rail corridor that benefit from the project under value capture ... But Ms Trad said Queenslanders should not be forced to pay more than residents in other states for necessary infrastructure ... ‘We have said we would look at value capture and we did. But we don’t want unfair taxes imposed on Queensland that no other state has to pay’ (Marszalek 2017).

In the same article the Courier Mail reported that the Property Council Queensland had backed the state government. “We welcome the Deputy Premier’s comments today that some forms of value capture are just unfair taxes,” Property Council executive director Chris Mountford, was quoted as saying:

‘It is important to remember that property owners already directly pay infrastructure charges, GST, stamp duty, land tax, local government rates, capital gains tax and a raft of state and local government fees when developing and owning property. Most of these taxes already increase when the value of a property increases’ (Marszalek 2017).

3.4 VALUE CAPTURE AND THE LAND TAX POLITICAL HOT POTATO

As we have seen, while some politicians talk up value capture, others shoot the concept down with little – if any – public debate about the issue. Those two words “new tax” seem to strike fear into the heart of many an elected official.

This is not just in Australia of course. The Economist magazine recently came out in favour of what it called “land-value taxes”, but described their many practical and political difficulties in pointing out that there aren’t many examples of them around the world. The article’s headline read: “The time may be right for land-value taxes”, but this was followed by the subheading: “Beloved of liberals and economists, they have so far never caught on” (Economist 2018).
Dealing with this idea of a broad-based land tax, it seems to be favoured by just about anyone who has studied the subject. But not, it seems, by most politicians. It would take a brave politician indeed to impose a tax on that most sacred of sacred cows in Australia, the family home.

Even a recent attempt in NSW to follow the lead of other states and impose what was supposed to be a modest levy on land value to pay for emergency services such as fire brigades, was withdrawn. The system has reverted back to a tax on insurance policies, which means most people pay more.

However as we saw in the literature review, in the Australian Capital Territory stamp duty is being phased out in favour of a broad-based land tax over 20 years. This fascinating and landmark experiment, which began in 2011, has its detractors on both main political sides. Nevertheless it presumably has broad public support, because the Labor ACT Government was re-elected in 2016. (Bear in mind that the ACT Government is both the local and “state” government in Canberra.)

And there have been reported comments from key state and federal economic ministers about the virtues of land tax, including from NSW Treasurer Dominic Perrottet and now Prime Minister Scott Morrison:

> In December, Treasurer Scott Morrison pushed the states to transition to a land tax at a meeting of state and federal treasurers. He praised comments from NSW Treasurer Dominic Perrottet that reforms would free up housing stock for young buyers by encouraging them to move more (Bagshaw 2017).

### 3.4.1 What would a land tax on the family home cost?

If a broad-based land tax was to have any chance of adoption throughout Australia, the average homeowner would have to be assured that they would be better off overall. Yet there is virtually no public discussion of the pros and cons of such a tax.

Voters want to know how a tax measure will affect their hip pocket, yet the online literature has few estimates of what a broad-based land tax would cost the ordinary householder – and even they can vary sharply.

What estimates there are, usually calculate the broad-based land tax needed to replace state stamp duties on property purchases (such as previously mentioned by Toohey in the literature review).

Stamp duty revenues have been crashing with the downturn in the property market over the past couple of years. The May 2019 Victorian state budget reported a decrease in stamp duty revenue over the forward estimates of more than $5 billion. For NSW the expected write-down in stamp duty was a whopping $8 billion (Clennell 2019).

The Grattan Institute calculated that as of December 2017, stamp duties cost the median home-buyer more than $43,000 in Sydney and more than $45,000 in Melbourne (Grattan Institute 2018 page 86). That’s based on median house prices of $895,000 for Sydney and $720,000 for Melbourne. The Institute recommends following the lead of the ACT and phasing in a broad-based land tax:

> An annual flat-rate tax of between $5 and $7 for every $1,000 of unimproved land value would be sufficient to fund the abolition of stamp duties on property in all states (Grattan Institute 2018 p.88).

This author estimates the equivalent annual land tax bills for the same median-value houses would work out at between $2,200 and $3,100 for Sydney; and between $1,800 and $2,500 for Melbourne. This is using the Henry Tax assumption in Table C2-3 that land values are worth half the value of a property (which seems on the low side).
The Grattan Institute goes further in advocating betterment taxes to capture some of the windfall gains landowners receive from re-zoning, such as permission to build higher-density housing – as happens in the ACT.

Re-zoning of land generates large unearned windfall gains for landowners. Taxing these windfall gains would be a particularly efficient form of taxation. A broad-based land tax, like that recommended in this chapter, would capture only a relatively small share of these windfall gains. Therefore specific betterment taxes that capture most of the value of re-zoning land is warranted (Grattan Institute 2018 p.91).

But the Grattan Institute says it’s too difficult to have value capture taxes for specific transport projects such as new railway stations:

Broad-based property taxes ... are a far simpler way to capture some of the land value uplift generated from these projects (Grattan Institute 2018 p. 92).

The McKell Institute proposes a land value tax of 0.75 per cent, which according to the above median house values and assumptions, would work out according to this author at about $3,300 for a median house in Sydney and $2,700 for a median house in Melbourne. The McKell Institute uses an example of a house and land in Sydney worth about $2 million combined, facing stamp duty of $95,000; or land tax at 0.75 per cent, totalling nearly $10,000 a year (McKell Institute 2016).

Meanwhile a report by KPMG commissioned by business and welfare peak bodies in NSW in 2016 advocated gradually replacing stamp duty with a broad-based land tax at 1.3 per cent of unimproved land value. Said NSW Business Chamber Chief Executive, Stephen Cartwright, in a press release:

The NSW Business Chamber, together with the NSW Council of Social Services and the NSW branch of the Australian Manufacturing Workers Union, is calling on the NSW Government to put property transfer taxes at the top of the tax reform agenda – to not only make buying a home more affordable, but to create jobs and promote economic growth.

Business, unions and the community sector have found common ground on the urgent need to abolish stamp duty in favour of a more efficient system of tax (NSW Business Chamber 2016).

No examples were given in the press release of how much an annual land tax would cost under the KPMG model. However journalist and land tax advocate Michael Pascoe came up with some estimates:

Sticking with the NSW example, the Valuer General thinks the median land value in Premier Mike Baird's Manly is $1.26 million, and the median block in Treasurer Gladys Berejiklian's Willoughby is $1.32 million. So to do the right thing by NSW, Mike and Gladys would have to tell their median home-owning electors they want them to pay $16,380 and $17,160 respectively a year in land tax – $315 and $330 a week. In Opposition Leader Luke Foley's Auburn, the median land value is $567,000 – so $7371 a year, $142 a week (Pascoe 2016).

Prosper Australia advocates the elimination of all other taxes and their replacement with a “Land Value Tax” of 6 per cent.

For the average person, if the land value of your property is $330,000, the occupants would have a combined Land Value Tax bill of $19,800. You would pay one bill and then be done with taxation for another year.
No longer would we require PAYE income tax, GST, sales tax, company tax, FBT, duties, tariffs, FID, BADT, excise, nor capital gains or payroll tax. With these taxes removed, prices of general goods and services would fall significantly (Prosper Australia website).

3.4.2 What would a betterment levy cost?

Calculations of what lesser forms of uplift-related value capture than a broader land tax would actually cost the ordinary citizen, are even harder to find.

One of the few estimates in Australia is provided by Ernst and Young (EY), in work commissioned by Infrastructure Victoria. As mentioned earlier, EY modelled various scenarios for the proposed Metro 2 rail project in Melbourne.

Option 4 of a flat-rate betterment levy to recoup a quarter of the costs of the rail project is listed as follows, and gives a rare example of what the ordinary householder could expect to pay for a government-provided increase in their land value. It also shows the relative crudity of arbitrary geographical boundaries, because property owners just 50 metres further out would presumably pay nothing:

Revenue base and geography: All residential and commercial properties within 1,000m from the rail corridor, which in most cases is 1 km from train stations. Rate the structure: Fixed levy of $200 per residential property and $5 per square metre of gross floor area for commercial properties. Timing and payment: Levied annually for 30 years from the start of project construction, with no deferral provisions or exemptions modelled (Ernst and Young page 33).

3.5 Conclusion

For a year or two from 2016 the Federal Government appeared keen on uplift – related value capture.

However as we will see in the next chapter it appears the Government did not insist on value capture with a couple of mega rail projects in NSW and Victoria. And on a couple of other massive rail projects, the Labor governments in Victoria and Queensland called its bluff, deciding to fund multi-billion dollar rail projects themselves rather than accept Federal money with value capture strings attached which they branded as unfair taxes. This was after Queensland had actually expressed support for value capture to this author in 2016.

State and Federal oppositions seem just as disinterested in value capture as the NSW, Victorian and Queensland state governments. The Victorian Government, for example, seems to have a view of value capture for the Melbourne Metro Rail which is limited to such “easy” options as air rights to development above stations; station shops; and station advertising.

Voters and big landowners may not like the few real-life estimates there are for the likely cost of transport-related betterment levies on uplifts in land value. And they may not like estimates for suggested broad-based land taxes. On the other hand they might think they are perfectly reasonable. But there is no chance of any of the advocates of these things achieving their recommendations if the numbers are not easily accessible in the public arena; are not seriously advocated by politicians; and are not reported by the media.
Project-specific value capture could run the risk of governments favouring big-city transport infrastructure which is more likely to have the biggest economic returns and for which governments are also more likely to be able to offload more cost – as compared with smaller regional projects.

This is yet another argument for a broad-based land tax, which would not be project-specific. Its proponents argue it would also make housing more affordable for both home buyers and renters.
4 – In-Fill Development and Windfall Gain

4.1 INTRODUCTION

This chapter looks at some of the windfall gains in private land value in established areas of the eastern capital cities which arise when governments build rail lines or new roads nearby. There is little value capture to be seen in past projects, and there seems to be little new value capture on the horizon for new projects either, other than development rights over railway stations.

The Federal Government’s 2016 discussion paper, *Using Value Capture To Help Deliver Major Land Transport Infrastructure*, had some stunning figures on just how much landholders can benefit from new roads and rail lines (page 6).

Melbourne’s City Link tollway road system – which runs from Melbourne Airport south to the Melbourne CBD and through tunnels just beyond the CBD towards the south east – was estimated by SGS Economics and Planning to have increased land values for property owners by nearly $30 billion. It was also boom time for owners of industrial land in the catchments of Brisbane’s M1 Motorway, Melbourne’s EastLink and Sydney’s M7 Motorway. Industrial land values in those areas shot up by as much as 50 per cent, between the time of the routes being identified and the first traffic on them.

One only has to witness the explosion in warehousing in the Eastern Creek and Prestons areas of Sydney’s west and south-west on the route of the M7 to see how valuable this motorway has become to the road freight and logistics industry.

The discussion paper added that the Southern Railway in Perth raised land values near stations by more than 40 per cent (p.7).

But that’s small beer compared with some of the capital gains in private property values courtesy of new rail lines in Sydney and Melbourne.

4.2. SYDNEY CASE STUDIES

4.2.1 Epping to Chatswood Rail Line

The Epping to Chatswood rail line runs east to west, linking major tracks in Sydney’s northern suburbs. It runs completely underground for 13 kilometres, and opened in 2009. There are three stations along the route: Macquarie University; Macquarie Park and North Ryde. The line has recently been subsumed into the new Metro Northwest (see below).

A 2016 report concluded that the line led to an initial increase in land values near the stations due to increased accessibility of nearly 50 per cent. That was for properties within 400 metres walking distance (LUTI Consulting p. 61). Then when land was rezoned from “business” to residential it increased in value by another 20 per cent.
But the really big gain was when the allowable floor space ratio (FSR) was increased by a planning decision for the region. The FSR went from 0.5 for your typical stand-alone house to 4.0, which is enough for a 10-storey apartment block. The LUTI study found the resulting rail-related uplift in land values was a whopping 240 per cent (p.61).

The LUTI report had some interesting general comments on value capture for passenger rail lines – or rather, the lack of value capture – and the implications for government budgets and equity:

The current approach to transit project funding in Australia is such that capital costs are subject to 100% government subsidy and operating costs are subject to approximately 80% government subsidy .... This approach not only limits the number of projects that can be invested in at any time owing to budget limitations but also leads to equality issues as it is the land owners that stand to benefit the most, and it can be reasonably expected that the average property owner is wealthier than the average tax payer. Thus, value-capture strategies can potentially be employed to ensure sharing of the costs and benefits of a project to free up funds for other important projects that stand to generate net social benefits and also address equality issues to an extent as well (page 8).

4.2.2 Sydney Metro Northwest Rail

Along with those windfall gains in land value near stations on the Epping to Chatswood line are skyrocketing land values for many suburban blocks along the brand new Sydney Metro Northwest line.

Price gains of up to 400 per cent are estimated to have been made along the $7 billion line, which opened in May 2019. The Government discussion paper on value capture puts things rather mildly in referring to just one of many reports of massive rail-related windfall gains in land value for suburban home owners:

There has been media coverage of suburban blocks located near stations on the new North West Rail Link in Sydney seeing an increase in value. According to press reports, in June 2016, a property developer paid over $40 million for three sites in Castle Hill, opposite Showground Station on the new line (scheduled to open in 2019). The article links the significantly higher valuation than previous property prices in the area to the development of the rail station (Australian Government 2016 p.7).

An above-ground section of the $7 billion Metro Northwest
4.2.3 Sydney Metro City and Southwest Rail

Sydney Metro Northwest is just one part of Australia’s biggest public transport project. It’s Stage 1 of a continuous 66 kilometre line that will run underneath Sydney Harbour and through underground inner city rail stations and then on to Bankstown in Sydney’s southwest. There will be 31 stations in total.

The Stage 2 line – “Sydney Metro City and Southwest” – will cost up to $12.5 billion by the time it opens in 2024. The business case states a benefit cost ratio averaging 1.5.

The Metro City and Southwest appears to be a case of the Federal Government not carrying through on its apparent demand that the states implement value capture if they want federal funding.

A reminder that the Government’s February 2016 “Principles For Innovative Financing of Transport” said: “The funding shares from the Commonwealth and the state and territory governments should be determined after taking into account contributions made by the beneficiaries.”

But just two months later, in the May 2016 Budget, the Federal Government gave NSW $1.7 billion towards the Metro line without any publicity on what, if any, value capture was going to be involved.

“The release of the EIS for the (Metro) project ... triggered the injection of $1.7 billion from the Turnbull Government in the federal budget,” reported The Sydney Morning Herald at the time (Needham 2016).

The same Herald article stated the newspaper had asked NSW Premier Mike Baird in February 2016 if the Metro City and Southwest would use value capture, to which he reportedly replied: “That’s a decision to be made ...”

Some clues about the decision emerged in the Final Business Case Summary for the Metro City and Southwest later in 2016. The summary says:

Nineteen value sharing and funding opportunities were assessed to support the affordability of the Project, including detailed analysis of: public transport fares; sale of surplus property and over station development rights; Barangaroo and Waterloo Station opportunities resulting from the construction of a metro station at these locations; passive value capture from existing taxation regimes (stamp duty, land tax and capital gains tax); active value capture opportunities (Special Infrastructure Contribution – SIC); alternative funding opportunities (Sydney Metro p.83)

But “active value capture opportunities” in the form of fixed-rate special infrastructure contributions are not mentioned again in the document. Uplift-related betterment levies don’t seem to be mentioned at all.

However at the time of writing there was some mention on government websites of SICs being “investigated” for the Metro City and Southwest, but none had been announced that the author could find.

As we have seen, many don’t regard special infrastructure contributions as “fair-dinkum” value capture anyway, because they are one-off charges which don’t capture uplift in land values.

The only “value capture” – as most planning experts would understand it – that this author has been able to find for the Metro is what most planners would probably regard as the low-hanging fruit of
over station development rights. Nevertheless it is significant that the development rights will apparently go a long way towards paying for the several individual stations involved.

In September 2018 the NSW Government announced an air rights deal with Macquarie Group for the new Martin Place Metro Station. The NSW Government will receive $355 million for the air rights and on the flipside, the Government will pay Macquarie nearly $380 million to build the new metro station, which the Government will own. Lend Lease will build both the station, retail space and the two new commercial office towers involved in the integrated project.

Martin Place is one of five Sydney Metro stations that will be integrated with the areas around them, with planning also underway for developments at Crows Nest, Victoria Cross in North Sydney, Pitt Street and Waterloo (Sydney Metro media release).

Interestingly, that government press release makes no mention of any other value capture involved with the new Martin Place station. However an article in The Sydney Morning Herald at the time said:

Once the new buildings are complete in about 2024, Macquarie is likely to make another payment to the government to reflect the increased value of the land (Saulwick 2018).

However there is no publicly-available detail on what that “likely” extra uplift-related payment involves. This reflects the common wider lament that there is a “paucity of independent sources of information on many matters relating to the supply of housing, particularly planning regulations and infrastructure charging” (Gurran and Phibbs 2015 page 722).

Other than air rights, the other main form of value capture mentioned in the business case for the Metro City and Southwest is “passive” value capture from existing taxation regimes. Fares are included in this, even though they are usually thought of as a form of “user pays” – not “beneficiary pays”. The business case has all the relevant fares figures blacked out but suggests that fares would more than pay for the “incremental” operating costs of the Metro by 2036 (Sydney Metro p. 84). The “whole of life financial analysis” is also blacked out.

Besides fares, other “passive value capture” tax estimates take into account proposed property development along the rail corridor. This “project induced tax benefit” totals more than $7 billion (p.88). It’s estimated the Metro would reap $3.1 billion in state stamp duty; $1.6 billion in state land tax; and $2.6 billion in federal capital gains tax.

Interestingly the above figure for land tax is only half that for stamp duty, which shows just how minor land tax is in the current scheme of things for state revenues. Unfortunately for the wider state taxpayers however, so far it’s just about the only mechanism that will capture some of the ongoing increase in land values that will inevitably come with the rail line. Most of the other mechanisms are one-off.

Nevertheless even without much “active” value capture on the horizon for the new $12.5 billion metro line, with existing taxation mechanisms more than half that initial public investment will be recouped. So the existing mechanisms are working to an extent, but it appears the likely ongoing gains in land value for decades to come will mostly be appropriated by the private sector.
4.3 MELBOURNE CASE STUDIES

The Victorian Government seems to be no more enthusiastic about using value capture in big rail developments – other than for “air rights” above stations – than the NSW and Queensland governments.

And while the Federal Government appears to have held firm on its value capture stance for the Melbourne Metro rail line, it appears to have caved in for the recently-announced Melbourne Airport rail line.

Approaching Melbourne’s Southern Cross station

4.3.1 Melbourne Metro Rail

The $11 billion Melbourne Metro Tunnel project will run for 9 kilometres under the Melbourne city area, freeing up space in the city loop to run more trains. There will be five new stations. However according to The Age newspaper, there will be no new value capture:

Victoria has ruled out increasing taxes on property owners who benefit from the Melbourne Metro Rail tunnel, despite what it claims is a push by the federal government to do so (Preiss 2016).

After announcing plans to "go it alone" and fund the $10.9 billion project without Commonwealth help, Public Transport Minister Jacinta Allan has written to her federal counterpart to say no landowners will be hit with higher taxes.

Prime Minister Malcolm Turnbull has long spruiked the concept of ‘value capture’ to pay for big projects, although he has remained vague about how this would work in practice ... In April Mr Turnbull described Victoria's business case for Melbourne Metro as "underdone",
insisting the state government needed to demonstrate how it would generate economic
benefits from increased property prices generated by the new tunnel project (Preiss 2016).

4.3.2 Melbourne Airport Rail Link

In contrast to the Melbourne Metro, by early 2018 there appeared to be no hard line from the
Federal Government on value capture for the planned rail line between Melbourne Airport and the
CBD.

In early 2019 the Victorian Government was giving nothing away about what, if any, value capture
would be involved in a project which didn’t even have a business case yet:

The business case will be delivered by 2020 and will assess station and procurement options,
value capture and creation opportunities, and economic analysis ... The Victorian and
Federal governments have committed up to $5 billion each to deliver the missing link, with
the total cost of the project estimated to be in the range of $8-13 billion. (Victorian
Department of Transport 2019 media release)

Construction of the line will start in 2022 and take nine years. The media release said the “missing
link” will deliver a new super-hub at Sunshine, reduce congestion on the freeway to the airport, and
“unlock capacity” for the rapidly growing population in Melbourne’s north-west. It said within 20
years Melbourne Airport was expected to have nearly 70 million passenger movements per year.

4.4 Brisbane Case Study – Westfield Garden City

The Federal Government’s 2016 discussion paper on value capture said bus rapid transit roads lead
to an average uplift in property prices of nearly 10 per cent (Australian Government discussion
paper,2016, p.6)

In 2001 the Queensland Government built the billion dollar South East Busway in Brisbane, right past
the door of Westfield Garden City in Upper Mt Gravatt. The dedicated bus road means a lot of
passengers and a lot of shoppers. Westfield, now owned by the Scentre Group, got all this extra
patronage for free. Says Associate Professor Matthew Burke from the Cities Research Centre at
nearby Griffith University:

Westfield basically provided next to no contribution whatsoever to a very large busway that
was built to service their site, that’s now responsible for delivering a very large proportion of
their customers. They are the one big shopping centre along that route. You’ve got probably
two of the top four bus routes in the city running through, and tens of thousands of people
per day running through a bus stop adjacent to their mall.

It’s a very big win for them that effectively they got for free. That’s no doubt increased their
property value with really no return coming back to the state, and with each bus passenger
subsidised to the tune of a couple of dollars per trip per day across the entire system.
I don’t want to pick just on Westfield, there’s a number of these mall operators who are benefiting significantly when you improve transport and who I think really should be making a contribution towards that (Skinner 2016a).

4.5 Major Beneficiary Contributions

Speaking of big shopping centres, a consultant to Infrastructure Victoria speaks of such single large beneficiaries of big infrastructure projects making contributions to government. After all, they benefit from the increase in trade and accessibility for employees and land values.

There is no mention of any examples in Australia, but Ernst and Young points to governments sometimes seeking negotiated payments from the likes of shopping centres, owners of commercial precincts, airports, major employers and other landowners to help fund infrastructure.

For example, the funding of the Crossrail project in London includes major contributions from the Canary Wharf Group, Heathrow Airport, and Berkeley Homes. The contributions from the Canary Wharf Group include around £150m to part-fund the construction of a new Crossrail station at Canary Wharf, with the other £350m being provided by the government and a condition that the Canary Wharf Group will fund any additional costs incurred over the £500m fixed price limit given it is responsible for designing and building the new station (Ernst and Young p.7)
The private owner of Heathrow Airport is contributing around £70m to Crossrail.

4.6 Conclusion

Windfall gains are to be had for landowners when toll road companies and governments build major roads, rail lines and busways in the built-up areas of big capital cities. Railway stations in particular can enable lucky landowners nearby to see their property values increase two, three or four-fold. Yet governments in Australia are not insisting to any significant extent that these beneficiaries share their good fortune with the general taxpayers and motorists who are paying for the transport infrastructure in the first place.

The windfall evidence is emerging from past big road projects in Melbourne, for example City Link and EastLink; from past big road projects in Sydney such as the M7; and past big road projects in Brisbane such as the M1. We have also seen how the Epping to Chatswood rail line in Sydney has been a value capture-free bonanza for landowners, as well as the wider Metro Northwest it is now part of. And the South East Busway in Brisbane has been a big free kick for Westfield.

Apart from above-station air rights, there is little indication so far that massive new rail projects under way or on the books in Sydney, Melbourne and Brisbane will involve significant uplift-related value capture either. That’s despite considerable government rhetoric in recent years, particularly at the federal level under former Prime Minister Malcolm Turnbull. Nor is there any definite public indication this author can find of any significant value capture being involved in the giant Westconnex (Sydney) or planned North East Link (Melbourne) road projects running through already built-up parts of these cities.

Perhaps a model for helping to fund the huge new rail projects is provided by London’s mega Crossrail project, with its “major beneficiary contributions” and levies on benefiting businesses covering at least a quarter of the cost.
5 – On Shaky Ground in Greenfield Development

5.1 INTRODUCTION

We have just seen the potential for big increases in land values from multi-billion dollar infrastructure investments and rezonings in the built-up areas of the big cities.

The windfall gains to be made when rural land on the fringes of the big cities is rezoned from rural to residential, seem even starker. As one wag put it, the only other way to make so much money so quickly is to get a shipment of illegal drugs into the country.

If they sell up, the lucky owners would be paying federal capital gains tax if the land was bought after 1985. But without value capture of some sort, state governments wouldn’t be seeing much contribution from benefiting landowners towards the transport investments that general taxpayers inevitably have to make at some stage. Governments would even have been missing out on land tax on potentially highly valuable real estate, because farmland is exempt.

Prof. Matthew Burke from Griffith University says the rapidly-growing new land release areas on the urban fringes are a clear case of the potential for value capture to help provide roads and rail lines:

Farmers and rural landholders on the edges of cities, who because their land is the obvious place to expand the city, find their land rezoned (to residential) and at the stroke of a pen suddenly find themselves with a $40 million, $60 million dollar payday that we, the people, have effectively granted to them … when they haven’t done anything productive. They’ve just sat on the land (Skinner 2016b).

Burke could just as easily have used the figure $200 million or $400 million for land sales on the urban fringes.

For example last year a 33 hectare rural property at Rouse Hill in Sydney – near the new Metro Northwest rail line – was put on the market for $200 million plus. The small grazing property, about 40 kilometres from the Sydney CBD, had already been rezoned for mixed use (Calautti 2018).

In 2017 the Australian Financial Review reported that Chinese development giant Country Garden had paid $400 million for a 360 hectare site at Wyndham Vale in Melbourne’s booming west (Schlesinger and Tan 2017). The rural property, 40 kilometres west of the CBD, is near both the new Wyndham Vale railway station and the planned Outer Metropolitan Ring Road.

Previous owner Phileo Australia paid just $14m for the property in 2004, but it had been rezoned for residential development by the Victorian Government and received a planning permit in 2016. The Financial Review reported the land could support up to 5,000 dwellings and about 20,000-25,000 residents.
Such is the scale already of windfall gains courtesy of a mix of rapid population growth, government infrastructure provision and planning decisions. But these could pale in comparison with developments near Sydney’s new airport at Badgerys Creek, with neither the NSW nor Federal Governments showing any urgency to get value capture measures in place, despite splashing many billions of dollars of taxpayers’ money around an electorally sensitive area without necessarily even having proper business cases in place.

To date the only payments which could be regarded as “value capture” have been fixed-rate contributions towards state-provided infrastructure in new residential development areas, such as state and regional roads; regional open space; schools; and emergency services.

The Western Sydney Growth Areas Special Infrastructure Contribution (SIC) is currently a little over $200,000 per hectare for residential land (NSW Department of Planning and Environment 2019). That works out at about $13,000 for a block of 650 square metres at Oran Park Town – between Badgerys Creek and Campbeltown in Sydney’s far south-west – which would retail for about $500,000 (Oran Park Town website 2019).

However Nichols calculated that $13,000 would only pay for a small portion of the required roads alone. His 2017 University of Sydney PhD thesis put total attributed road costs for the Oran Park development at about $145,000 per dwelling (Nichols 2017 p.99). That’s not just for the announced works in the local area, but also for the cost of widening roads much further away to cope with the extra cars, to maintain current levels of service and congestion.

Meanwhile residents’ annual vehicle operating costs – including commuting time – are estimated to average about $36,000 per annum. Nichols’ calculations for several other new developments in various parts of Sydney conclude that overall road transport costs for both governments and individuals are minimized if there is an emphasis on more intense development in inner and middle suburban locations (p.iii).

### 5.2 BADGERYS CREEK AIRPORT BONANZA

The Federal Government is building the $5 billion Western Sydney International Airport at Badgerys Creek, opening in 2026.

There is a huge road and rail building program both under way and planned to capitalise on the new airport, at this stage fully funded by Federal and NSW taxpayers. It includes:

- The $4 billion “Western Sydney Infrastructure Plan” which involves upgrading 35 kilometres of the Northern Road to dual lanes; upgrading 10 kilometres of Bringelly Rd to dual lanes; and building the new M12 Motorway (Dept Infrastructure website 2019).
The planned North South Rail Link – the first stage of which will cost more than $7 billion – will have stations at the Airport and the adjacent Aerotropolis (Dept Infrastructure website 2019).

The planned M9 Outer Western Sydney Orbital motorway and freight rail line will run north-south at the foot of the Mountains, skirting the airport. No date for construction has been set yet (Transport for NSW website 2018).

This road won’t stay this quiet for much longer

Parts of The Northern Road upgrade
5.2.1 New North South Rail Link

In the 2019 Budget, the Federal Government committed $3.5 billion towards building a new rail line between the airport and its adjacent "aerotropolis" to St Mary's on Sydney's main Western line about 15 kilometres to the north. The NSW Government is also tipping in $3.5 billion.

There are long-term plans for the track to be extended south through Oran Park and Narellan to Macarthur on the main southern line near Campbelltown; and north to Schofields on the new Metro North West line. The Sydney Morning Herald reported that the full North – South line was estimated to cost more than $30 billion (SMH 23/2/18). However just a month later an official scoping study put the cost at a far more modest $15b to $20b, in 2017 dollars. (Western Sydney Rail Needs Scoping Study, page 7).

5.2.2 North South Rail Link A Political Decision?

Then Prime Minister Malcolm Turnbull and New South Wales Premier Gladys Berejiklian had previously announced their joint funding of the $7 billion North South rail line in March, 2018. Crucially, they wanted the new line to open in time to carry the first passengers when the new airport opens in 2026:

The Turnbull and Berejiklian Governments have a joint objective of having rail connected to the Western Sydney Airport in time for the opening of the airport ... Both governments will each commit $50 million for a business case on the full North South rail line to finalise a route and station locations, building on the evidence base of the joint Rail Needs Scoping Study, also released today (Joint Press Release 2018).

That "Western Sydney Rail Needs Scoping Study – Outcomes Report" was carried out jointly by the Federal Department of Infrastructure, Regional Development and Cities and the NSW Government.

But intriguingly this scoping study says the new rail line does not need to be up and running at the same time as the airport in 2026. Rapid bus and coach services connecting the airport with regional centres on new roads and motorways could do the job:
Rail could play an important role in shaping Western Sydney, but it is not essential to the success of Western Sydney Airport at opening in 2026 ... Western Sydney Airport will need to be connected by rail in the future, but there is likely to be low demand for rail to Western Sydney Airport in its early years after opening in 2026.

In the initial years of airport operations, road transport links will play the most important role in providing connectivity for Western Sydney Airport customers and workers. These road links, including those delivered under the Australian and NSW governments’ $3.6 billion Western Sydney Infrastructure Plan (the new roads outlined at the start of this chapter), will also be important in fostering economic growth in the region (Western Sydney Rail Needs Scoping Study, page 76)

The study report says that as Sydney (Kingsford Smith) Airport approaches capacity in the 2040s, patronage at Western Sydney Airport will grow. It says the North South Link and East-West Link (between the new airport and Parramatta) are not projected to become “economically viable” until sometime in the 2030s (Scoping Study p.76)

And the governments’ own study concludes “low demand for rail” in general under existing land use projections for Western Sydney to 2026 (p.76)

The Labor Party goes further than the Coalition in advocating an even longer North South line to the airport by the time it opens, extending through Oran Park and Narellan to Campbelltown in the south (Albanese 2018).

So does this joint political support for an early rail line – in contrast to the findings of the joint departmental report – smack of vote-buying rather than good government?

The Sydney Morning Herald’s take on the plethora of these road and rail plans for western Sydney was certainly political:

> With marginal electorates in western Sydney pivotal to the outcome of the next state and federal elections, the Turnbull and Berejiklian governments will rely on their transport plans to help gain political momentum in a key electoral battleground (O’Sullivan 2018)

One wonders what rural and regional voters think of a rail line which even a government study says isn’t needed until much later than it will be built. (More on the regional implications of infrastructure spending and value capture in the next chapter.)

The scoping study even acknowledges the “opportunity cost” of building earlier rather than later (p.77). In other words, other worthy uses of government funds will have to go without.

But the rail scoping study also adds an argument for early development:

> The provision of rail infrastructure in Western Sydney would provide an opportunity to improve the city’s liveability, creating well connected centres with good access to employment and education opportunities and supporting the growth of the region over the coming decades.

These land use changes generated through the development of rail and ahead of the demand need, can improve the economic viability of rail in Western Sydney over time (p.76).
Considering past transport corridor planning blunders in Sydney, it’s hard to argue with the scoping study’s stated “critical” need to protect land for future rail corridors. It’s also hard to argue with the common lament from people living in the urban sprawl that all too often the transport infrastructure arrives way too long after the population.

Infrastructure Australia agrees with both sentiments, but warns about developing transport infrastructure too early:

> It is important to note that infrastructure sequencing is not about providing all future infrastructure needs upfront. This is not practical or affordable for governments and taxpayers, nor does it deliver the best outcomes for communities (Infrastructure Australia 2018 p.2).

In fact “corridor protection” is the only part of the North South Rail Link that makes it onto Infrastructure Australia’s 2019 Priority List (Infrastructure Australia 2019 p.63). The form of public transport favoured by IA when the airport opens in 2026 is clearly not trains, but fast buses using the new roads which are being built:

> Fast and reliable bus connections using dedicated infrastructure, integrated with the broader Sydney rail and public transport network, can help minimise road congestion in Sydney’s Western and South West Growth Areas during the construction of the airport, and following the commencement of operations (Infrastructure Australia 2019 p.97)

5.2.3 Cart before the horse with no business cases?

Note that the $100 million business case for the North South rail line hasn’t been done yet. Many experts would say that is bad planning policy.

For example the Grattan Institute’s “Commonwealth Orange Book 2019” – in urging politicians to “take some of the politics out of decision-making” – says far more due diligence is needed to avoid the risk of wasting public money with big promises:
The Commonwealth should consider contributing funding to projects only where the state government or project proponent has done a full business case, and that business case has been evaluated by Infrastructure Australia and made public. In the case of larger projects, valued at $50 million or more, Infrastructure Australia should make public its assessment of the reliability of the business case.

This approach would not stop governments funding projects where the business case is weak. But where the benefits are smaller than the costs, the government would need to present the reasons for its decision to go ahead, such as to assure a minimum standard of access for a rural community, facilitate a major international event, or some other reason” (Grattan Institute 2019 p.63)

In the context of cost over-runs, the Grattan Institute quotes Infrastructure Australia itself on the importance of completing business cases first:

As Infrastructure Australia has argued: ‘Governments should undertake detailed analysis of a potential project through a full business case and should not announce a preferred option or cost profile before undertaking detailed analysis involving multiple options’ (Grattan 2019 p.58)

The Federal and NSW Government’s own rail scoping study seems to agree that business cases should come first:

Given the significant government funding that would be required to invest in new rail projects, the potential of each rail link identified in the Preferred Network should be explored through a business case assessment before progressing to construction (Western Sydney Rail Needs Scoping Study p.77).

5.2.4 Value Capture for the North South Rail Line?

Politics will no doubt also come into play with value capture for the North South rail line to the Western Sydney Airport.

Before the government funding for the line was announced, big land owners and developers in a major local lobbying alliance were talking up the contributions they were prepared to make towards something that was clearly going to benefit them.

“The Western Sydney Rail Alliance is a unique collaboration between the private sector and local government who have come together because of a shared commitment to a better region,” says the website of this lobby group (Alliance website home page).

The Alliance website says members include: Campbelltown, Liverpool and Penrith City Councils; big local landholders Celestino, Medich Corporation, Ingham Property and the Perich family-owned Greenfields Development Company; Sydney Business Park; The Committee for Sydney; Twin Creeks Golf & Country Club; and The University of Sydney.

A 2016 local newspaper article quoted Western Sydney Rail Alliance chairman Christopher Brown in the context of Alliance figures claiming 165,000 jobs could be created by a north south rail link to the future Western Sydney Airport.
“We’re talking about paying for a big chunk of the train line through development levies — all we’re asking from this (Federal) Government is to prioritise the project” (Petrinic 2016).

Suggested development levies also featured in a report by consultants ARUP and Deloitte commissioned by the Alliance before the North South Line was announced.

But the report first seemed to rule out increased land tax, despite its stated virtues:

“A recent and thorough 2016 World Bank study examined and rated 24 financing instruments for transport (Ardila-Gomez, A. & Ortegon Sanchez, A. 2016, pp. 27-29) … It was found that the highest scoring instrument for direct and sustaining benefits for transport was a PPP (public-private partnership) for an entire project, followed by an increase in property taxation, the later (sic) not being possible in Australia.” (Arup and Deloitte 2016 page 42).

But the Arup/Deloitte report doesn’t elaborate on why an increase in property taxation is “not possible” in Australia.

In fact neither the Rail Alliance nor their consultant’s report makes any mention of land tax that this author can find. Interestingly, this includes the absence of any argument that members who will benefit from the new rail line shouldn’t have to contribute anything extra, because they will be paying land tax already.

The consultants’ report continued in quoting the World Bank study:

Most importantly, joint development scored the highest for indirect benefits, along with a development impact levy (or infrastructure contribution) and a betterment levy (Arup and Deloitte 2016 p.42).

In other words the Alliance consultants’ report seems to favour both a fixed infrastructure charge and an uplift-related betterment levy, without detailing how these forms of value capture would work in detail.

Meanwhile a Deloitte report for another Sydney rail lobby group said almost $3 billion could be raised from benefiting landowners to fund a proposed light rail line between Westmead and Strathfield, via Sydney’s Olympic Park (Deloitte 2015 page 25). This would be in the form of voluntary contributions at an agreed rate per square metre of increased allowable floor space ratio in new developments, in other words a “density uplift” (p.25).

5.2.5 Hosing Down Expectations of Value Capture?


Perhaps there is the possibility that once its goal of a new rail line was achieved, the Alliance was hoping politicians would forget its earlier apparent acceptance of uplift-related value capture.
The joint Federal – NSW rail scoping study seemed to reject any expectations of development levies paying for a “big” chunk of the rail line anyway, even though according to the earlier-quoted newspaper report, that’s what the Alliance land owners were offering. Perhaps it all hinges on the difference between the words “big” and “large”:

Although not sufficient to cover a large proportion of costs, the absolute worth of the value sharing mechanisms may be sufficiently large to consider capturing. However detailed financial analysis of the timing, risk and commercial quality of cash flows is required to confirm these estimates (Western Sydney Rail Needs Scoping Study p.71)

The study had a list of recommendations involving what it called “value sharing”:

“6.1. Ensure value sharing mechanisms are in place and communicated to land owners before confirming station locations.

6.2. Market testing of station location options with industry and major land owners to determine appetite for contributions to the project.

6.3. As part of business case development processes for the North-South Link and East-West Link, reassess the value sharing mechanisms to identify additional revenue sources.

6.4. Consider implementing value sharing mechanisms early where possible to capture value uplift that occurs in advance of service commencement and to deter speculation.

6.5. Investigate additional revenue measures to reduce the projected financial deficit. This may include additional value sharing measures, road pricing and more sophisticated fare revenue and ticketing initiatives (Western Sydney Rail p.78):

But the report has remarkably little detail about what these value sharing mechanisms might be, and what brief mention there is, is confusing. For example on page 70 the report says:

One possible approach is that the NSW Government could levy all new dwellings developed near new stations to assist with funding new rail infrastructure. This levy is assumed to apply to new dwellings within the walking distance of new stations … A levy on construction costs is in line with Special Infrastructure Contribution levies currently being adopted in the market.

But on the very next page the report seems to get mixed up between these sort of localised contributions and charges, and some sort of much wider land tax on the uplift in land value. Under the heading “Special infrastructure contributions on land surrounding stations”, the report says:

Improvements in accessibility across Greater Sydney generated by a new rail investment may result in widespread improvements in land value over a broad area, upon which levies may be applied … changes in land values from this improvement in accessibility provide the tax base from which to apply this levy (Western Sydney Rail p.71)

5.2.6 Value Capture has to be done early

Perhaps the horse has already bolted anyway in terms of significant “beneficiary pays” relating to the new Western Sydney Airport.

The Committee for Sydney joins many other infrastructure experts in saying value capture has to be worked out early in the planning process. Under the heading “Capture first, announce later”, the Committee warned in late 2015:
It is important that governments have a regime in place before new transport routes are announced or new high density precincts are planned ... Even a hint of a potential land use change in press release can increase the value of land in an area. If there is no value capture mechanism already in place much of this value creation can be lost. It can be politically hard to impose new levies retrospectively. It can also be economically distorting. All too often it becomes the “development” that gets levied, not the land. This is then passed on in the form of more expensive housing or if the levy is too onerous it can stop the development, and everyone loses. However, if a value capture mechanism is announced at the same time, or before, transport projects are identified, this sets the initial parameters for all – making the cost less distorting (Committee for Sydney p. 15).

Then in 2018 the Committee warned of not repeating past mistakes in failing to implement value capture:

It is widely accepted now ... that a value capture approach should have been implemented in relation to the building of the North-West Rail Link (now Sydney Metro Northwest) as the costs of this massive project were carried by the public sector but the returns were privatised by land owners. We must avoid similar unearned private uplift to land values around the Western Sydney Airport arising from public intervention as rezoning there provides a real opportunity to introduce value capture with widespread public support. The same can be said of the Sydenham to Bankstown extension of the Metro: we must avoid history repeating itself and the government depriving the community of a significant and justified return. (House of Representatives 2018 p.396)

Along similar lines GLN Planning’s Greg New produced a devastating analysis in late 2018 pointing out that land owners around the Badgerys Creek airport site have already made “huge” unearned gains on the back of the government infrastructure decisions and planning commitments. New asks the question: “Is it already too late for ‘value capture’ to help fund the high infrastructure costs in the Aerotropolis?”.

He refers to the NSW Government’s Western Sydney Aerotropolis Stage 1 Land Use and Infrastructure Plan. This plan says the standard range of development contributions such as SICs will be used, but there will also be consideration of “additional mechanisms” related to land value uplift (NSW Department of Planning 2018 page 51).

New’s comments on these vague and only briefly-mentioned “additional mechanisms” are worth quoting at length:

However, no details have been provided on the type of value capture (or value sharing) mechanism to be used, the land affected, or the likely impost on the owners. The WSA LUIIP heralds that it is ‘the beginning of a discussion’, and that ‘the specifics of potential and practical value sharing mechanisms will be explored and developed for reporting in the second state of the Land Use Plan’ (WSA LUIIP, p8).

However with land values in the area having already risen at least 200% in the last 4 years, there is a risk that most of the value uplift has already occurred. The longer the State government deliberates on what kind of value sharing scheme should apply to the Aerotropolis district, the prospect of the scheme actually generating worthwhile revenue diminishes.
The WSA LUIIP nominates the location of the road and rail corridors and junctions indicating the areas that will enjoy maximum accessibility. It also identifies the land that can be redeveloped outside of the aircraft noise and flood zones, and where housing densities of between 45 and 80 dwellings per hectare will be allowed (WSA LUIIP, p22). There is no secret now about the lands that are likely to have the highest value and command the highest prices.

Although the specifics of land use have yet to be determined, the crucial question for a land deal has been answered. If the land is unconstrained by environmental issues, it is for valuation purposes de facto urban land. Investors, developers and speculators are buying these lands on the assumption that the unconstrained nominated land will be urban. The value uplift has been factored into the sale price. All of the uplift that has occurred so far has been pocketed by those who have already sold, or those who will sell between now and whenever a value sharing scheme is formally announced (if that ever happens) (New 2018).

New reminds the reader that the decision to finally proceed with the airport was made in 2014, which was a “green flag” for speculators. For the lucky sellers, “It’s like winning the lotto without buying the ticket, as discussed in a recent media story” (New 2018).

Perhaps this issue of the timing of announcements is neatly summed up by Infrastructure Australia’s warning:

Land and property values change on the basis of expectations, so if value capture is implemented after an announcement, governments may miss the opportunity to capture some value uplift (Infrastructure Australia 2016 p.45).

Infrastructure Australia also goes on to warn that estimating the value uplift from transport, amongst many other variables influencing market prices, is a “complex task” (IA p.45). This is one of the reasons that developer lobby group Urban Taskforce, in its comments on the above Aerotropolis Stage 1 plan, does not support the use of any value capture mechanisms at all:

A broad-based land tax, such as a “Sydney Metropolitan Transport Levy” applicable across the entire Greater Sydney Region is a better option to raise funds for transport infrastructure (Urban Taskforce November 2018).

5.3 Should Farmland Be Subject to Land Tax?

With the Western Sydney Airport and its related infrastructure is coming major industrial and residential development, with hundreds of thousands more people set to live in the so-called South West Growth Zone of Sydney.

Much of the prime farmland in the South West has already been covered in buildings and bitumen, with much more development to come.
In strict value capture terms, the purely economic argument is that farmland should be subject to land tax at the rate of its “highest and best use”. The theory goes that if significant land tax is payable, this will discourage speculative land bankers from “sitting on” their land or just dribbling it onto the market to maintain high prices. It’s argued that removing the agricultural exemption would encourage owners to make the land pay its way by bringing it onto the development market quicker, helping affordability for home buyers in particular.

At present if the “dominant use” of land is deemed to be farming – even if the land has already been rezoned for a much more valuable use such as residential – no land tax is payable.

But in this author’s view there is a major conundrum in all this, which appears to be largely unaddressed in the Australian planning literature.

For decades we have been told of the importance of preserving Australia’s “peri-urban” farmland, that is land at the interface between city and country. One of the major reasons is that if more food has to be trucked in from hundreds of kilometres away, food security could be hit in the case of a major spike in fuel prices or a cut to fuel supply because of war. Most of Australia’s fuel is now imported via potentially vulnerable sea lanes.

The ever-decreasing ability of Sydney’s land to contribute to its population’s food supply, for example, looks quite scary:

Our modelling indicates that around 60 per cent of Sydney’s remaining agriculture is likely to be lost if current plans are implemented and sprawl allowed to continue at current rates (Institute for Sustainable Futures 2016).

The Institute estimated that at current rates of agricultural loss, Sydney’s local food production will drop to just 6 per cent by 2031, down from 20 per cent in 2011 (p. 11). In 2011 the Sydney basin supplied a surprisingly high 55 per cent of the demand for meat; 40 per cent of eggs; nearly 40 per cent of dairy; and 10 per cent of vegetables (p. 15)

The Institute for Sustainable Futures report implies zoning decisions made by the Greater Sydney Commission (and Ministers for Planning previously) are short-sighted and too lenient in favour of development over agriculture:
In general, the proposal will be successful if the parcel of land will yield a higher economic value if converted to the new use (p.24).

A number of ways to strengthen the zoning system are suggested, and the concept of “transferable development rights” – apparently successful in the United States – is canvassed (p.25).

Perhaps it’s simply time for the planning authorities to say “no” to urban sprawl more often. New NSW Planning Minister Rob Stokes is recently quoted as saying: “We had an ideology in favour of sprawl, which has been proven wrong” (Taylor 2019). In the same article Dr Stokes expressed concern about high-rise developments as well. However he spoke positively about terrace housing.

5.4 Conclusion

Repeating the previous point, there is a major issue involving value capture in greenfield areas on the urban fringes which seems to be largely unaddressed by the planning profession. It’s this conundrum: while it is a good thing for society to preserve agricultural land, it’s also a good thing for a rapidly growing population to have as much affordable housing as possible, especially when major transport infrastructure is planned to support it.

But is massive transport infrastructure on the fringes economically sustainable for taxpayers? We have seen the questionable economics behind the new North South rail line in Sydney’s far west, which appears rushed for political reasons and doesn’t even have a business case yet. And the cost of building roads that far out from the CBD is much more expensive per dwelling than closer in.

While speculative fortunes have continued to be made from land ever since the new Western Sydney Airport was announced several years ago, the state and federal governments appear to be still a long way off developing a value capture regime or broader land tax system for the airport or its associated road and rail infrastructure. This is despite land owners and developers themselves calling for this – at least before the main rail line was announced. It’s perhaps too late now to capture significant revenue from land owners anyway.

Some of the few official statements which have been made about possible value capture for the new rail line appear ambivalent and contradictory – for example mixing up what are known by everyone in the planning and development industry as localised fixed-rate “special infrastructure contributions” with much wider levies on land value. These are two very different things.
6 – Regional Road and Rail Infrastructure

6.1 INTRODUCTION

In the previous chapters we have seen that many billions of dollars are being spent on individual urban rail projects, and many billions are also being spent on new urban roads. There seems to be no urgency in using value capture to recoup some of the investment in these for the state and federal taxpayers who are footing the bills.

In contrast there are all too many sections of slow-speed single track rail lines in country areas winding around on their nineteenth century alignments; and all too many crumbling rural and regional roads.

This chapter demonstrates the need for expanded transport infrastructure funding for the regions, focusing on Infrastructure Australia’s call for a much more spending on basic safety improvements to country roads. In a theoretical world value capture from urban transport infrastructure could be hypothecated towards this, but the revenue from urban value capture could be used for any number of other important essential services – health, aged care, education, defence, the environment and the list goes on.

Or value capture could open up more investment in essential services and infrastructure by helping to reduce what the Australian Financial Review describes as the states’ “debt bomb”:

The five mainland states’ budgets reveal that they will end up with a tripling of debt to $170 billion within four years to fund their infrastructure splurges (Marin-Guzman 2019).
6.2 A Fair Go for the Regions

As we saw in the literature review, there is a strong school of thought that value capture – in the form of a broad-based land tax – could act as an “automatic stabiliser” in helping to redistribute some of the increase in land values from big cities to the “bush” (Fensham and Gleeson; Stilwell and Jordan; Mangioni; Henry Tax Review).

This is because cities have most of the population growth – including most of the immigration settlement – and economic activity, therefore pushing up the value of the limited supply of land. Cities also benefit from the economics of “agglomeration” – where lots of people transact with each other for goods and services and jobs – and economies of scale.

And while many urban planners might think it’s an inevitable law of nature that big cities will keep growing and that regional areas will stagnate, they need to remember that government decisions on infrastructure are also a big factor in prosperity.

They should also realise that despite frequent city media coverage of floods, fires and droughts, the overall economic situation in regional Australia isn’t as bleak as they think. Far from it.

According to the House of Representatives Select Committee on Regional Development and Decentralisation, there is a “mistaken perception of regional areas as ‘second-class’ towns and cities” (2018 page 21).

The report defined “regional” as anything outside the six largest capital cities. Hobart is included as regional, for example. It said nearly 9 million people in regional Australia – around 35 per cent of the national population – produced 40 per said of national economic output, and accounted for about a third of the national workforce (p. xxv).

The Committee unequivocally rejects the perception of regional areas as problems to be fixed. They are not … However the Committee does acknowledge the risk that, if there is no significant investment in infrastructure and services in regional Australia … This perception may well become reality” (House of Representatives Select Committee 2018 p. 35)

Intriguingly the report added:

Solving problems caused by congestion in the cities may be counter-productive in the long term unless it’s combined with progress to encourage population growth in regional areas (p.43).

The Regional Development committee noted a submission from the government-funded Regional Australia Institute which had a very interesting take on our previous discussion about the costs of development on the fringes of Sydney and Melbourne.

The Institute says that income and employment prospects are comparable between the urban fringes and regional cities, but housing prices and commuting times are far less.

It calculates that for every 100,000 Australians who choose to live in growing regional cities rather than the “big five” capitals, an extra $50 billion will be released into the economy over 30
years (p. 43). That massive sum is in the form of reduced congestion costs, reduced housing costs, and increased consumption.

6.3 Problems in Defining “Regional”

Trying to define “value capture” is hard enough, but there are also many different definitions of “regional”. In relation to NSW, the Government itself is confused. The “Improving NSW” website reads in part:

Regional NSW produces one third of the total NSW gross state product ... Home to about 40 per cent of the state’s population ... (Regional NSW website 2019)

In stark contradiction on the same website it states in a section titled “A 20-Year Economic Vision for Regional NSW”, about Regional NSW:

It is home to a third of the state’s population, and produces one-fifth of NSW’s gross state product (Regional NSW 2019).

So which is it – 40 per cent or 33 per cent of the state population? And 33 per cent or 20 per cent of the gross state product?

The contradictions continue. For example on one part of the website Port Kembla – a couple of kilometres to the south of Wollongong – is labelled as “regional”, and another part it’s not.

6.4 Transport Infrastructure Spending in the Regions

It is beyond the scope of this paper to analyse the equity of federal and state government spending on big-ticket road and rail projects in the region. Even deciding a “fair” proportion would be difficult.

Suffice to say that the biggest projects also have major benefits for the big cities. Take the $10 billion Inland Rail Line between Melbourne and Brisbane through NSW. This will obviously be beneficial to rural producers and townsfolk along the way, both economically and in terms of improved road safety along the inland Newell Highway.

But freight forwarders in the capital cities will arguably be the biggest economic winners. The business case for the rail line estimates that two thirds of the freight by volume will be railed between metropolitan capital cities (Australian Rail Track Corporation 2015 page 18). This is not just between Melbourne and Brisbane, but between those cities and Adelaide and Perth via a freight hub at Parkes.

The Grattan Institute carried out an interesting analysis of transport promises ahead of the March 2019 NSW election, including regional spending promises. Sydney came out an overwhelming winner:
Sydney is awash with construction activity – new motorways, light rail and the Metro project are all part of an infrastructure deluge. And as New South Wales voters head to the polls, the two major parties keep raining promises on electorates of ever-larger, ever faster transport projects (Grattan Institute in *The Conversation*, 2019).

These projects totalled about $50 billion for Labor and about $70 billion for the Coalition:

The coming transport infrastructure wave is heavily focused on Sydney. Both parties are set to pour cash into western Sydney, a clear battleground. It’s not surprising that regional NSW gets less of the transport love – voters outside the capital might be more concerned with hospitals and schools than with transport, particularly if they face little congestion (Grattan Institute in *The Conversation* 2019).

According to the table below in the Grattan Institute analysis, the population of regional/rural NSW is about 37 per cent of the state total. But the proportion of regional transport promises was less than 10 per cent for both sides of politics.

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**Both parties are promising big, but the Coalition is promising biggest of all**

| Value of transport projects promised by the major parties, $billions |
|-----------------------------|-----------------------------|
| **Coalition**               | **Labor**                   |
| Value of all other projects | Value of the five largest projects |
| 70                          | 50                          |
| 60                          | 40                          |
| 50                          | 30                          |
| 40                          | 20                          |
| 30                          | 10                          |
| 20                          | 0                           |

Note: Several projects do not have cost estimates and have been excluded. These include the Liberals’ commitments to extra bus, ferry and express train services, and to plans for regional fast rail; the Nationals’ commitment to 13 new regional bus routes; and Labor’s commitments to reduced Airport Access Fees and refunds for avoidable delays.

Sources: Based on commitments made publicly, in media releases or in policy platforms on party websites as of Monday, March 11.
6.5 REGIONAL ROAD SAFETY FIXES

Despite the Grattan Institute analysis above, we will give state and federal governments the benefit of the doubt and assume their big-ticket road and rail expenditure is “fair”, however that may be defined.

But while a lot of money is being spent on “busting traffic congestion” in the big cities, and on reducing crowding on buses and trains, it’s argued that not enough money is being spent on improving safety on country roads.

That view is coming not just from motoring organizations and peak bodies for local government, but from the Federal Government’s advisory body Infrastructure Australia. Federal and state politicians are acknowledging the problem too.

There were 1,181 road deaths in Australia for the year to the end of April 2019 (Bureau of Infrastructure, Transport and Regional Economics 2019). The majority of the deaths were on country roads. Of course many more people were seriously injured.

6.5.1 Infrastructure Australia 2019 Priority List

Each year the Australian Government’s independent advisory body Infrastructure Australia produces its “Infrastructure Priority List” of nationally significant investments. This year regional road safety featured heavily.

Listed as a “High Priority Initiative” nationally is “Regional Road Network Safety Improvements”:

The varied quality of Australia’s regional road network is resulting in a high number of crashes and fatalities. Between 2008 and 2016, 55% of road fatalities in Australia occurred in regional areas. Relative to population size, the number of fatalities in regional areas was over four times greater than for major cities over the same period.

While behavioural factors are a significant cause of road crashes, infrastructure deficiencies such as the curvature of roads are also a cause of accidents. Infrastructure can play an important role in mitigating the consequences of road accidents through features such as safety barriers and the appropriate placement of embankments, poles and other roadside objects.

There is a risk that the growing road freight task may exacerbate these road safety issues as more heavy vehicles travel on roads in regional areas (Infrastructure Australia 2019, p.44).

The report has a separate page on a NSW regional road safety program which IA has also included as a High Priority Initiative. The report says the NSW Government had provided a detailed submission, but this isn’t publicly available.

Traffic volumes on the NSW road network increased by 14% from 2008 to 2017. Freight traffic volumes are expected to nearly double from 2011 to 2031.
In 2017, crashes in NSW accounted for 31% of the Australian road toll. Further, 41% of all Australian road fatalities involving a heavy vehicle occurred in NSW.

Road safety improvements can enable freight to move more effectively on the NSW regional road network and contribute to national economic performance. Without these improvements, the increase in road freight traffic could lead to increases in road crashes. While behavioural factors have a major influence on road safety, infrastructure improvements are important to achieving a safer road environment (Infrastructure Australia 2019 p.52).

The report says that each year in NSW, over two-thirds of all fatalities occur on country roads. It says the NSW Government has prioritised locations based on crash data and infrastructure deficiencies.

Infrastructure Australia says potential improvements to these roads include new safety barriers, wide centre lines, and/or audio tactile line marking (better known as rumble strips (p. 52).

6.5.2 Studies Showing Safety Benefits of Minor Road Improvements

These safety barriers, wide centre lines and rumble strips – which help alert fatigued drivers that they are drifting out of their lane – are the sort of relatively inexpensive measures that are proven to save lives.

The Australian Road Research Board (ARRB) quoted a Monash University study (Larsson et al 2003) involving the sort of edge and centreline wire rope barrier systems that have been increasingly installed on Australian roads in recent years (see photo below). The Larsson study concluded the barriers resulted in a reduction in deaths and serious injuries of up to 90 per cent (Turner et al 2017 page 37).

Another measure raised by the ARRB’s Turner et al as being “highly effective” but in limited use are “wide centreline treatments” (see photo below).

Wire rope barriers on the New England Highway in northern NSW
Wide centre line and shoulders on the Newell Highway in southern NSW

Simply painting wider centre lines to leave a gap – even without concrete barriers or wire ropes – has been found to reduce both head-on crashes and run-offs to the side (Turner et al p.41). Turner et al say even if the wide centre lines mean narrower lanes, this encourages lower speed, especially with a lower speed limit.

6.5.3 Local Councils Struggling to Cope with Roads

It seems that let alone being able to afford to spend money on the above sort of road safety improvements, local government across Australia is battling just to maintain roads in their original state.

For example the NSW Roads and Motoring Association (NRMA) said there is an “alarming trend” of councils struggling to deliver acceptable road conditions:

Declining council revenues and increasing maintenance costs are quickly diminishing the financial capacity of local governments to invest (NRMA 2019 p. 1).

The NRMA said the local government road infrastructure backlog “has been sharply increasing” in NSW, and stood at more than $2 billion for 2017. Regional councils accounted for three quarters of this backlog figure. (“Backlog” is defined as being when an asset is not performing to its optimal level.)

The report said that between 2013 and 2017, nearly 70 per cent of road fatalities and injuries occurred on regional and local roads. These deaths and injuries cost the NSW economy nearly $4 billion (NRMA 2019 p.4).

Meanwhile the Australian Local Government Association (ALGA) points out that councils reap less than 4 per cent of Australia’s taxation revenue but have to manage 75 per cent of the nation’s roads.

That doesn’t equate to 75 per cent of all vehicle kilometres of course. But according to Marion Terrill of the Grattan Institute, local government pays a quarter of Australia’s road bill in a typical year, with the states and territories paying for just over half (Terrill 2019).

Said ALGA President David O’Loughlin, in the foreword to the 2019 Local Government Roads and Transport Agenda:
Across Australia, local governments have insufficient revenue capacity to maintain their road networks to the original standard, let alone upgrade them to modern lane widths, safety standards or load-bearing capacities (ALGA 2019).

ALGA points out that the three quarters of the Australian road network which is managed by local government accounts for more than half of all casualty crashes, and 40 per cent of all road deaths (p.8).

Another alarming statistic is that there are 27 hospitalisations for every death, with deaths and injuries costing a mammoth $27 billion per year (p.27). On the brighter side the number of fatalities has reduced over the decades.

ALGA says a Safer Local Roads Fund should be established that targets high-risk sections of road identified crashes per kilometre (p.8).

The so-called “last mile access” issue for the biggest trucks is also an important one, with ALGA reminding governments that the majority of the rapidly growing freight movements in Australia start and finish on a local government road (p.3).

Of course it’s not as though state and federal governments aren’t already helping regional and metropolitan councils with their daunting task on local and regional roads.

The Federal Government alone has its Roads to Recovery Program, Black Spot Program (for example traffic lights and roundabouts), Bridge Renewal Program, and Heavy Vehicle Safety and Productivity Program.

By far the biggest program, Roads to Recovery, helps local councils and areas where there are no councils. In the March 2019 Budget the Government stated that for the 10 years from 2013-2014 to 2022-23 it will be providing $5.6 billion for the program – about $560 million per year. (Department of Infrastructure, Regional Development and Cities website).

6.6 CASE STUDIES OF DANGEROUS COUNTRY ROADS

There is no doubt that overall, rural and regional roads in Australia have improved greatly over the years. Dual lane freeways have resulted in dramatic drops in deaths and injuries along their routes. Much has also been done by state and federal governments to improve single lane roads, for example in building wider shoulders and more overtaking lanes on many stretches. Some regional roads in marginal state and/or federal electorates are even what could be described as “gold platted”.

However as described above by the likes of Infrastructure Australia and ALGA, there is still much serious concern about the standard of many country roads, and it is unfortunately easy to find obviously dangerous stretches which leave little tolerance for driver error. For a relatively miniscule amount of expenditure compared with the capital city mega-projects, these roads could be made much safer. Here are just a couple of simple examples.
6.6.1 Murray Valley Highway, between Cobram and Yarrawonga, Victoria

The Murray Valley Highway is a busy tourist and freight route running on the Victorian side of the Murray River. It runs through major towns such as Echuca, Cobram, Yarrawonga and Rutherglen.

As these photos taken between Cobram and Yarrawonga in March 2019 show, this is a potentially dangerous stretch of road with little margin for error if trucks or caravans veer towards the centre line, forcing oncoming any vehicle to drop one set of wheels into the gravel hole.

During the flooding event of the nearby Hume Freeway in late 2018, all the heavy vehicle traffic between Sydney and Melbourne was diverted along this dangerous stretch of road – in the dark and in heavy rain, at times with trucks having to get one set of wheels onto the soft gravel to pass oncoming trucks.

Early last year the Federal and Victorian Governments pledged $20 million between them over two financial years to improve safety along the 130 kilometre stretch of the Murray Valley Highway between Echuca and Yarrawonga (which includes the area of these photos). “Over the last decade there has been a significant increase in traffic volumes and the highway has seen an increase in crashes,” says the VicRoads press release, announcing measures such as shoulder widening, improved barriers and intersection upgrades VicRoads media release 2018).

6.6.2 Glenroy Bridge, Jenolan Caves Road, NSW

This is a potentially extremely dangerous narrow bridge built in 1901 catering for more than 100 trucks a day servicing the Sydney area with gravel from nearby quarries and timber construction products from sawmills in Oberon.

Alarmingly, the bridge is also used by the many tourist coaches taking passengers to and from Jenolan Caves. There is no guarantee that either trucks or coaches use CB radios to communicate with each other as they approach the bridge.
As can be seen from the deep rut in the gravel in the first photo, trucks have to veer off the bitumen into the gravel just before the bridge if they want to achieve a full view of oncoming traffic; and to make their approach to the bridge as straight as possible if there are other vehicles already on the bridge which have to be passed.

It would surely reduce the chances of a serious accident to at least widen and seal that approach (pictured below). That’s aside from considering widening the bridge, or building a new one, on what is after all a state road.

The sign-posted speed limit in the area is 80 kilometres an hour, but there is an advisory sign recommending 40 km/h.

6.7 Conclusion

This chapter has laid out some of the relatively modest costs but large benefits of improved regional road infrastructure. It has pointed out that the notion of “region” is ill defined, which tends to confuse the analysis of resource allocation to rural and regional areas.

Road safety standards are also ill-defined, with a lack of resources to meet them.
We have also demonstrated that in many respects the large metropolises benefit equally – if not moreso – from the development of regional infrastructure, with its capacity for enabling a seamless nationwide transport system.

As implied by the federal parliamentary inquiry into regions and the Grattan Institute’s analysis of recent NSW election promises, a big part of the gulf between the cities and the regions in big-ticket infrastructure funding appears to be political, and focused on congestion. This is despite the major disparity between urban and regional areas in lives lost on the roads.

Many substantial and demonstrable safety improvements can be achieved by cost effective targeted investment in regional roads. But again in a demonstration of the politics of infrastructure, much of these improvements are left to local government with barely the resources to maintain the existing roads it is responsible for. The two case studies of regional roads vividly illustrate this breakdown of infrastructure resource allocation even on roads that state governments are responsible for, as well as its potentially dire consequences for regional and interurban traffic alike.

In the author’s view less priority should be given to trying to fix urban congestion through massive infrastructure projects (as opposed to better planning and pricing), and more emphasis should be given to preventing crashes on country roads. This is through both behavioural change – for example via education campaigns and tougher policing of speeding and drink-driving – as well as the relatively simple infrastructure fixes outlined which can help mitigate the effects of human error.
7 - Conclusions and Recommendations

Following on from the last chapter, in this author’s view there is a need for measures to help level the playing field between city and country when it comes to government investment in transport infrastructure. Value capture, in whatever form, could help achieve this. We have seen that it could also reap many billions of dollars a year in Australia if it was seriously pursued.

Value capture can’t be separated from wider resource allocation mechanisms. We saw in Chapter 5 that the Federal and NSW Governments are spending more than $7 billion on a rail line in Sydney which their own advisers say won’t be needed until the 2030s. That money could go towards any number of other important infrastructure projects, including improved transport in regional areas. These needn’t necessarily be big-ticket road and rail projects which provide good photo opportunities on completion – rather, relatively cheap and highly cost-effective fixes can vastly improve safety on rural roads, for example.

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A major problem for value capture is that no one has a direct vested interest in it. It’s not the politicians’ and bureaucrats’ own billions of dollars they are spending on transport, and individual taxpayers are used to coughing up funds that go into the ether of general revenue. However plenty of landowners have a direct vested interest in governments not implementing value capture, knowing that politicians seem paranoid about introducing what are often labelled as “unfair new taxes” on hard-working, clever or simply lucky Australians.

But if the average hard-working wage and salary earner and small business owner – paying a third of their income in tax – knew that lucky landholders are paying far less tax (if any) on windfall gains, a political constituency for value capture might develop.

We are not talking here about the “low hanging fruit” types of value capture which are being implemented, such as fixed infrastructure contributions in fringe growth areas, and the sale of development rights above government-owned railway stations. These forms of value capture can be described as “no-brainers”, and are fully accepted by the development industry.

We are talking about value capture on the uplift in land values, such as betterment levies on planning decisions related to transport infrastructure; and broad-based land taxes, either on the whole nation or just for transport spending in major metropolitan areas.

While there is no single agreed position on these tax options, for value capture per se there is a remarkable degree of support from the right of the political spectrum, through the middle and...
across to the left. Even big landowners are prepared to advocate big taxes as part of pitches to convince politicians to build rail lines which will ultimately make them a lot of money.

Perhaps most significantly of all, arguably Australia’s most powerful and influential media organisation – News Corporation – is a member of the Committee for Sydney, a strong advocate of uplift-related value capture. This author has even heard conservative broadcaster Alan Jones in furious agreement with Federal Coalition MP John Alexander on the need for value capture on both urban and regional rail projects. Perhaps timid politicians can therefore take heart that they won’t necessarily be shot down in flames in the media for advocating “new taxes”.

There is a remarkable consensus in the literature reviewed in this paper that a broad-based land tax is an important way to capture increases in land value created by transport infrastructure. After all, what better basis to calculate contributions than the actual market price people are prepared to pay for land? Most advocates say such a tax, similar to council rates, should at least replace the widely hated state stamp duties on the sale of property.

The big catch, though, is the political difficulty of implementing a broad land tax. Another big dilemma is in taxing prime farming land in the cities which is potentially far more financially valuable for real estate development, therefore creating an incentive to take it out of agricultural production.

However, while other measures such as charges and taxes targeting specific transport projects might be politically easier to implement, they have all sorts of equity dilemmas and practical difficulties. For example, where do you draw the geographical boundary on who contributes and who doesn’t? Why tax homeowners near new rail projects but not old ones? And if for example you tax a planning decision to allow denser development on a block of land near a proposed railway station, how do you work out how much the uplift in land value is worth, and at what point in time should it be taxed?

We are assuming here that land within walking distance of new railway stations is the most obvious candidate for targeted value capture – which should be uniform and city-wide, to reduce the risk of political gerrymandering and pressure from vested interests. It’s presumably harder to work out who are the main land-owning beneficiaries near new roads, which could attract motorists from much further away.

While governments sometimes sell off station development rights on their rail lines, for better or worse it appears they have abandoned the practice of buying and developing land themselves.

Apart from revenue implications, it is argued that lack of value capture exacerbates regional inequality, for example because rapid population growth invariably favours lucky landowners in the big cities. Proponents argue a broad-based land tax could provide an incentive for greater development in regional areas where land values are much lower.

For a year or two from 2016 the Federal Government seemed keen on uplift-related value capture. However it appears the Government did not insist on uplift-related value capture with its Coalition counterpart in NSW, in return for nearly $2 billion towards the giant Sydney Metro City and Southwest rail project. Nor for its later $5 billion towards the planned Melbourne Airport Rail Link in partnership with the Victorian Labor Government.

Meanwhile the state Labor governments have decided to fully fund the Melbourne Metro and Brisbane Cross River Rail on their own rather than accept federal money with value capture strings attached – which they branded as unfair taxes. This was after Queensland had actually expressed support for value capture to this author in 2016.
State and federal oppositions seem just as disinterested in value capture as the NSW, Victorian and Queensland state governments. The Victorian Government, for example, seems to have a view of value capture for the Melbourne Metro Rail which is limited to such “easy” options as air rights to development above stations, and station shops and advertising.

Voters and big landowners may not like the few real-life estimates there are for the likely cost of transport-related betterment levies on uplifts in land value. And they may not like estimates for suggested broad-based land taxes. On the other hand, they might think they are perfectly reasonable. But there is no chance of any of the advocates of these things achieving their recommendations if the numbers are not easily accessible in the public arena; are not seriously advocated by politicians; and are not reported by the media.

Project-specific value capture could run the risk of governments favouring big-city transport infrastructure which is more likely to have the biggest economic returns and for which governments are also more likely to be able to offload more cost – as compared with smaller regional projects.

This is yet another argument for a broad-based land tax, which would not be project-specific. Its proponents argue it would also make housing more affordable for both home buyers and renters.

Windfall gains are to be had for landowners when toll road companies and governments build major roads, rail lines and busways in the built-up areas of big capital cities. Railway stations in particular can enable lucky landowners nearby to see their property values increase two, three or four-fold. Yet governments in Australia are not insisting to any significant extent that these beneficiaries share their good fortune with the general taxpayers and motorists who are paying for the transport infrastructure in the first place.

The windfall evidence is emerging from past big road projects in Melbourne, for example City Link and EastLink; from past big road projects in Sydney such as the M7; and past big road projects in Brisbane such as the M1. We have also seen how the Epping to Chatswood rail line in Sydney has been a value capture-free bonanza for landowners, as well as the wider Metro Northwest it is now part of. And the South East Busway in Brisbane has been a big free kick for Westfield.

Apart from above-station air rights, there is little indication so far that massive new rail projects under way or on the books in Sydney, Melbourne and Brisbane will involve significant value capture either. That’s despite considerable government rhetoric in recent years, particularly at the federal level under former Prime Minister Malcolm Turnbull. Nor is there any definite public indication this author can find of any significant value capture being involved in the giant Westconnex (Sydney) or North East Link (Melbourne) road projects running through already built-up parts of these cities.

Perhaps a model for helping to fund the huge new rail projects is provided by London’s mega Crossrail project, with its “major beneficiary contributions” and levies on benefiting businesses covering at least a quarter of the cost.

There is a major issue involving value capture in greenfield areas on the urban fringes which seems to be largely unaddressed by the planning profession. It is this conundrum: while it is a good thing for society to preserve agricultural land, it’s also a good thing for a rapidly growing population to have as much affordable housing as possible, especially when major transport infrastructure is planned to support it.
But is massive transport infrastructure on the fringes economically sustainable for taxpayers? We have seen the questionable economics behind the new North South rail line in Sydney’s far west, which appears rushed for political reasons and doesn’t even have a business case yet. And the cost of building roads that far out from the CBD is much more expensive per dwelling than closer in.

While speculative fortunes have continued to be made from land ever since the new Western Sydney Airport was announced several years ago, the state and federal governments appear to be still a long way off developing a value capture regime or broader land tax system for the airport or its associated road and rail infrastructure. This is despite land owners and developers themselves calling for this – at least before the main rail line was announced. It’s perhaps too late now to capture significant revenue from land owners.

Some of the few public statements which have been made about possible value capture for the new rail line appear ambivalent and contradictory – for example confusing what are known by everyone in the planning and development industry as localised fixed-rate “special infrastructure contributions” with much wider levies on land value.

Perhaps the final word for this paper belongs with Infrastructure Australia, in its advocacy of a broad-based land tax, with an interim plan for value capture:

By introducing this (land tax) reform alongside the removal of other, less efficient taxes on transactions such as stamp duties, governments have an opportunity to improve how we collect funding for infrastructure, and alleviate the need for implementing project-specific mechanisms in future. Nevertheless, in the absence of a broad-based land tax, other value capture mechanisms remain an important part of the infrastructure funding mix (Infrastructure Australia 2016 p.7).

**Recommendation 1:** Building on the apparent success so far of the transitional system in the ACT, a broad-based land tax needs to be introduced across Australia, initially replacing stamp duties on property. The wide array of organisations from across the political spectrum supporting a new, broader land tax system need to combine their political lobbying efforts.

**Recommendation 2:** More urgently – and with hundreds of billions of dollars in transport infrastructure already in the pipeline or planned – governments need to introduce “major beneficiary” contributions. There should probably also be levies on the windfall gains in land value which come from planning decisions related to particular transport projects, which are enjoyed simply at the stroke of a pen. Continued delay in capturing value reduces the potential revenue, as land speculation continues apace.

**Recommendation 3:** The Federal Government needs to uniformly enforce its stated policy of insisting the states ensure beneficiary contributions before handing over Commonwealth funds for transport infrastructure.

**Recommendation 4:** The planning profession needs to urgently address the conundrum of preserving prime agricultural land on the urban fringes at the same time as capturing some of the increased land values for transport infrastructure spending in the same fringe areas.

**Recommendation 5:** Representing the people with the strongest vested interest in value capture, politicians in regional areas at all three levels of government need to band together to demand
greater equity in transport infrastructure spending. They should also demand that big-city beneficiaries contribute their fair share for taxpayer-funded projects that increase the value of their land.
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